By Alice Rawsthorn in Paris and Philip Rawstorne in London

group, for FFr690m (\$121m).

French business establishment.

By Maggle Urry in London

HANSON, the Anglo-American

conglomerate, yesterday launched an agreed \$3.2bn bid for

Quantum Chemical Corporation of the US. The price includes

\$720m for Quantum's share capi-

tal plus the assumption of Quan-

Quantum, formed in 1987 from

National Distillers & Chemical

after it sold its wine and liquor

business, and refinanced with heavy borrowings to 1988, is the leading US manufacturer of poly-

ethylene, a plastic used in pack-

aging, and products such as toys

and automotive components. It is the second-largest retail supplier

The bid marks Hanson's return

to the acquisition trail after its

failed £780m hid for Ranks Hovis

McDougall, the UK food com-

pany, launched in October. Han-

son was beaten when rival UK

conglomerate Tomkins topped its offer. It also follows Hanson's

purchase of a 2.8 per cent stake

in Imperial Chemical Industries

It illustrates the changing style

of Hanson's acquisitions. Lord Hanson, chairman, said: "Han-

son's objective for the 1990s is to

build up its major businesses.

while being prepared to make

major acquisitions when the

ulation, never led to a bid.

tum's \$2.5bn of debt.

of propane gas.

teat muicu,

MR François Pinault, the ambitious

French industrialist, has bought Château Latour, one of the grandest of

Bordeaux's grands crus, from Allied-Lyons, the UK food and drinks

The deal returns the vineyard to

French ownership after 30 years in Brit-

ish hands. It fits neatly into Mr Pinault's

ambitions to endear himself to the

He made the acquisition through Artemis, the company through which his family controls the Pinault-Prin-

temps retailing group. Artemis also has a number of industrial investments and

substantial junk bond portfolio bought

late last year from Crédit Lyonnais, the

French banking group which is one of

Pinault-Printemps' main advisers.

Mr Pinault, 56, regards the purchase

as "a good, long-term investment", an aide said yesterday. "Besides, it's his

favourite wine. What better reason could there be for buying it?" she added.

Hanson launches

chemicals group

\$3.2bn bid for US

Restructuring call......Page 28

opportunity presents itself. Quan-

tum fits this perfectly."
Mr Derek Bonham, Hanson's

chief executive, said he expected

the acquisition would make "a

positive contribution to Hanson

Quantum's profits have slumped in recent years as over-

capacity has bit polyethylene

prices. Lord Hanson said the deal

had been struck "near the bottom of this industry's cycle".

tive officer of Hanson industries,

the conglomerate's US arm, said

a small increase in prices would

have a large impact on profits.

He said it was this kind of "earn-

ings leverage we at Hanson strive

to look for". In 1988, the peak of the last cycle, Quantum's operat-

ing income was \$759.8m, but in

1992 this fell to \$61.4m. Quantum

heavy debt. Interest charges have

pushed Quantum into losses to

1991 and 1992 and it has a bal-

Hanson is offering 1.176 of its

ADRs, which each represent five

ordinary shares, for each Quan-

tum share. That values the tar-

ance sheet deficit of \$471.1m

Mr David Clarke, chief execu-

earnings in 1993-94."

Pinault lays down \$121m for his favourite wine

who came to the fore in the late 1980s by

importing Anglo-Saxon corporate tactics

into the staid world of French Industry.

Ontside his business interests Mr Pinault has styled himself as a patron of

the arts, recently commissioning a huge sculpture for his country home from Mr

Richard Serra, the avant garde US artist.

The Pinault group expanded rapidly in



small Breton-based timber business, into FFr19bn. It has since been trying to

YAARGI .

He is one of the new breed of French entrepreneurs including Mr Bernard small Breton-based timber business, into a small Breton-based timber business, into small Breton-based timber business, into one of the leading operators in French retailing with turaover of FFr70bn last peripheral businesses, including the Pinault family's old timber interests.

Mr Pinault's deals culminated 18

months ago with a FFr5.3bn partial bid

for An Printemps, one of France's most

famous department store chains. The bid

provoked a protest from Au Printemps' minority shareholders and sparked an official review of French takeover law.

Mr Pinault won the bid, but Pinault-

Printemps has since been burdened by

A lead for Europe

German banking and finance Survey, Pages 11-14

## FINANCIAL TIMES

THURSDAY JULY 1 1993

D8523A

### China moves to cut overheating in the economy

Europe's Business Newspaper

China is poised to clamp down on its overheating economy amid reports that Li Guizian, its central bank governor has been sacked for failing to impose order on a chaotic financial sector.

A Beijing affillated newspaper in Hong Kong reported that Zhu Rongji, senior vice-premier would have his responsibilities extended to include supervision of the People's Bank, with the task of enforcing tougher credit curbs. Page 4

#### Pound rises as German rate cut speculation increases

institutional buying especially from Japanes investors pushed the pound yesterday to DM2.556, its highest level against the D-Mark since last September's devaluation. Profit-taking later brought it down to a close in London of DM2.545, unchanged from Tuesday night. Against the dollar the pound fell back by nearly 1 cent, closing at \$1.4935. The D-Mark was weakened by speculation that the Bundesbank might cut interest rates at today's council meeting after the Bonn coalition's DM25bn (\$14.7bn) savings package was hailed yesterday as a signal for the cutting of

Governor optimistic: Britain has the potential for an economic recovery that could continue through the rest of this decade, according to Eddie George, the new governor of the Bank of England. Page 18; Steady hand at the helm, Page 17

Trade accord blocked: US-Mexican relations were jeopardised after a US federal court ruling which effectively blocks approval of the North American Free Trade Agreement this year. Page 18

EC promises nothing but the truth



Information provided by the European Commission will from now on consist of "the truth, the whole truth, and nothing but the truth". pledged Joao de Deus Pinheiro (left), commissioner for internal political relations, announcing Brussels new strategy of openness. The measure

is intended to clean up the image of the EC in. general and the Commission in particular. Page 2 Threat to Greek administration: Greece's former foreign minister. Antonis Samaras, launched

a new political party, throwing the stability of prime minister Constantine Mitsotakis's government into doubt. IMF loan to Pussia: The International Monetary Fund is due today to approve a new \$1.5bn loan

to Russia after extracting further market reform steps from the Russian authorities. Page 3; Call for 'trade not aid' treatment. Page 4 Nuclear test ban set to stay: President

rium on nuclear testing, bowing to opposition from Congress to any further such tests. Page 5; Uranium process goes independent, Page 5 Anti-terror cordon: An anti-terrorist security

cordon is to be enforced around the City, London's

financial quarter, in a bid to frustrate bomb threats

in the capital. Page 8 Rohm, Japanese semiconductor maker, said its US subsidiary would claim royalties from Intel, world's largest chipmaker, and other leading manufacturers of "flash memory" chips, following

a court ruling reaffirming a Rohm patent. Page 30 Bosnian Croat call-up ordered: Bosnian Croat commanders ordered a general mobilisation as their troops tried to push back Moslem forces from Mostar. Page 3; UN poised to extend peacekeeping operations, Page 3

Strong man set to take over: Surat Hussemov, the man whose private army forced the elected president of Azerbaijan to flee his post, was named prime minister and "supreme imander" of the Caucasian republic. Page 3

Ferruszi Finanziaria, the Italian holding company saddled with total borrowings of over L31,000bm (\$20.16bn), is expected to launch a big rights issue to recapitalise its shaky finances afic a special shareholders' meeting planned for August 31. Page 19

Tax fraudator jailed: Michael Hunt, the managing director of Nissan UK, the former West Sussan-based car importer, was jailed for eight years for his part in Britain's largest ever tax traud. Page 8

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The Schengen group is named after the Luxembourg town Lebers .

World Trade News

where a regional agreement to open frontiers was reached in

chaired yesterday's meeting, said the deal was "good news for Europe at exactly the moment when we need some good news". Yesterday's political declaration is subject, however, to of conditions, insisted on by the

ing free movement of people. In addition, certain large EC airports - including those serv-ing Amsterdam and Brussels -will be given time to adapt their infrastructure to the new system. which will require splitting immigration and baggage-bandling facilities for passengers from

Schengen and non-Schengen countries. The delay means that some controls may be retained beyond

\$720m in all. The share offer Page 18 would add 4 per cent to Hanson's Hanson's gamble ......Page 19 share capital.

Move on Quantum marks conglomerate's return to acquisition trail

Quantum's management has agreed not to solicit a rival offer, nor to accept such a bid unless their fiduciary duties require them to do so. Quantum is paying interest

rates of more than 10 per cent on its debt while Hanson pays about 5 per cent on its US borrowings. Hanson could thus save \$125m a year in interest charges alone. Hanson also plans to continue cost-cutting programmes already instituted

Hanson hopes to complete the deal by September 30, its financial year and. If it goes through on these terms, Hanson's net debt would rise to about 80 per cent of shareholders' funds, Mr Bonham said, in part because there would be a significant goodwill write-off associated with the purchase. At the end of the 1992 financial year Hanson's gearing

was 18 per cent. Stockbrokers likened the bid to s purchase of Beazer UK-US building company, in December 1991. That too was highly geared and offered scope for cost cutting.

Hanson shares responded with a 4p rise to a London close of 226%p. Quantum's shares rose from \$12% to \$19 at midday.



Lord Hanson expects Quantum Chemical to make a positive

contribution to Hanson's earnings in 1993-94

### **Agnelli** confirms Fiat paid political bribes

peripheral businesses, including the Pinault family's old timber interests.

Château-Latour - once described by

Mr Michael Jackaman, Allied-Lyons'

chairman, as the "ultimate brand" - was

put on the market late last year. The

decision reflected a change in manage-

ment strategy after the UK group's

Continued on Page 18

By Robert Graham in Turin

MR Giovanni Agnelll, the chairman of Fiat, yesterday con-firmed for the first time in public that Italy's largest private group had paid L50bn (\$32.5m) in bribes to politicians and their intermediaries over the past 10 years.

He was also forced to defend the conduct of Fiat in paying bribes before a marathon fivehour annual meeting of the group and at a subsequent press

Mr Agnelli also disclosed that Fiat planned to raise up to L3.000bn this year in asset sales to offset the cost of rising debt and the prospect of a 1993 operating loss close to L1,000bn.

The details of the bribes are in the as yet unpublished accounts, but Mr Agnelli assured share-holders: "The total amount paid out in (illicit) contributions to political parties over a decade by the managers of Fiat group companies involved have had no significant repercussions on the profits of the group in any one

Mr Agnelli said there was no case of accounts having been falsified because the amounts were minimal in relation to assets, iome account ments had been made.

But he insisted "at consolidated level, we feel that the amount of these payments in no

> Continued on Page 18 Agnelli maps out route for disposals, Page 20

### Date fixed to end passport controls within most of EC

By Andrew Hill in Madrid

NINE MEMBERS of the European Community agreed yesterday to abolish formal passport controls at all internal frontiers by December 1.

From that date, travellers between Germany, France, Italy, Spain, Portugal, Greece and the Benelux countries will be able to pass freely across internal bor-ders, including ports and airports.

Travellers from Britain, Ireland and Denmark will still be subject to the same immigration checks as other international travellers arriving in the free-travel zone. The deal, if it can be put into

effect, will put pressure on Britain - which strongly opposes removing all passport checks -Ireland and Denmark to speed up their efforts to reduce controls. Meeting in Madrid, ministers from the nine signatories of the Schengen free-travel accord agreed to give practical effect to the EC's aim of free movement of people. Politically, it has proved the most sensitive aspect of the single European market, which already allows free movement of most goods, services and capital

Mr Carlos Westendorp, the Spanish EC affairs minister, who

new centre-right French government, which is still worried about the risks involved in allow-

December 1.

A special Schengen committee will have to decide in October whether there has been sufficient progress in three key areas to justify opening all internal borders: improved checks on people coming from outside the free travel zone; and action against drug trafficking.

CONTENTS

### **EC** pension directive scrapped

By Norma Cohen in London

A LONG-AWAITED EC directive liberalising pension fund investment has in effect been scrapped because some member states believed it went too far towards encouraging investment ontside their home markets.

The directive's key elements were rules barring countries from requiring pension funds to bold a minimum of their investments to certain asset categories and allowing up to 40 per cent of assets to be invested in non-domestic currencies.

At a meeting on June 14 of the Internal Market Council of the EC. at which the draft directive was scheduled for approval, members voted to refer the entire matter back to a working party where it hoped a compromise could be reached on its most controversial elements.

"There is a general agreement building up at the Commission that this text is an unhappy one" said Mr Koen de Ryck, permanent representative of the European Federation of Retired Persons, a trade association for Europe's pension funds industry. The directive had also attracted the opposition of the

UK fund management industry which believed that the currency Continued on Page 18

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German banking \_\_\_\_Sect 1

## Shocking words upset the EC's oldest family

By Quentin Peel in Bonn and Christopher Parkes in Frankfurt

BARELY 10 days ago, on the eve of the EC summit in Copenhagen, shocking words were spoken in a remote committee room of the German

"Maastricht is dead," was one of the more dramatic expressions. "Sócial cohesion." alias trade protectionism, was trumpeted as the answer to Europe's economic misery. The negotiations for liberalisation of the Gatt were denounced as dangerous, irrelevant and

The perpetrators of these heresies, for that is how they sounded in the German parliament, were not German parliamentarians, but a dozen leading French deputies. The ence of their attack took their German hosts by sur-

The mood in Paris Is certainly causing some concern in Bonn, just as the contrary is nn doubt true, that Germany is obsessed with its internal problems of unification. There is tension on the age-old issue of free trade versus protectionism: there is tension over monTesting times for Franco-German alliance



Worned about the effect of high. Cermen rates on the French economy, Parls wants the Bundestrank council to cut rates at its mosting today. France has times since early April, putting its short-term more below those of Genmany's. As a result, further Franch cities are becoming more dependent on Sundeshank action.

nation of the Bundesbank to cut its high interest rates at a tortolse-like pace; there are clear disagreements over policy towards the former Yugoslavia, with Bonn's frustration et its powerlessness

And yet, in spite of it all, the Franco-German relationship remains, epparently unper-turbed, if just e little anxious.



pipe of test week's Europeen Community summit meeting for the possible filting of the sims witherpo against Bosnie. Hercegowne's Moslems took. France, as well as other EC

in every family," says an offi-

cial of the German Bundes-

The official in question was

referring to the latest spat

between Paris and Bonn

sparked by Mr Edmond

Alphandéry, the French eco-

nomics minister. Whether under the influence of post-

electoral euphoria, prompted

strating a remarkable igno-

As investors worry about the Citientan economy and France brings down short term interest trates below Gentler levels, the transport from the foreign exchange the foreign exchange thresholds the Gentler makes anchor function in the ERM.

rance of German sensitivities,

he announced in a radio broad-cast on Thursday that he had

summoned Mr Theo Waigel,

his German counterpart, and

Mr Helmut Schlesinger, the president of the Bundesbank,

to a meeting in Paris the fol-

lowing day. His purpose was to

give the pair a good dressing-

down on Germany's high inter-

est rates, and set the guide-

lines for proper co-ordination



Germany, whose people est more basened per head by far than anywhere else in the world, is outraged by the European Community regime to restrict cheep imports. Germany hismas above at the French government, which it sees as seeiing to defend the interests of its rareign



the expense of fee trade.

of Franco-German monetary

cancelled the meeting - a rou-tine session of the Franco-Ger-

man economic and finance

council - there was scarcely

any surprise in Bonn. For Mr

Alphandery had dared to

intrude on the sacred indepen-dence of the Bundesbank, and

suggest that it could be sub-

When Mr Waigel promptly

policy, he suggested.



Prance, which views the General Agreement on Tariffe and Trade as 's vehicle for US trade
hegersonism, finds itself at odds
with Germany. On the sensitive Issue of Gatt-proposed farm trade reform, France is adament that it cannot accept the deal negotiated by the EC with strong German

At the highest levels in Bonn, there is understanding for Mr Alphandery's dilemma. The French government has to survive an extraordinarily difficult first six months. according to one well-placed

"The popular pressures for protectionism, and abandonment of the franc fort, are very



Germany says that its 1954 trade treaty with the US prevents it from implementing EC trade senctions supported by some other EC countries, is incensed and strongly supports the the European Commission's view that Germany is breaching community

real. But if Mr Balladur can get through the first six months, I think relations will be back on

an even keel." There is also nervousness. "Each of these problems indi-vidually is manageable," according to a parliamentary foreign affairs specialist. "If they all come up together, then it will be difficult."

Yet there may be less symnathy in the country at large

than there is in the corridors of power in Bonn, where relations with Paris are bound by cords of steel" in the words of a

senior diplomat One sensitive popular issue is former Yugoslavia, where German sympathies lie overwhelmingly with Croatia, and the Bosnian Moslems, and against the perceived aggres-

Perhaps even more explosive is the issue of bananas. France is seen as the prime mover behind another example of EC protectionism, which threatens to force up the price of Germany's cheap banana imports from Latin America by almost 100 per cent, in order to favour expensive fruit from French territories.

sion of Serbia.

"It is to the French we owe these expensive bananas according to Ms Angelika Volle at the German foreign policy

"That is one issue making public opinion in Germany lea positive than that of the politi-

cal leadership.
"The relationship has become less active, and more

"We still have to go along with them, but because there is no alternative," Ms Volle

## Pique in Paris as Germans refuse to cross the Rhine

By David Buchan in Parts

"BEYOND the turbulences of the moment, which are inevitable, the French-German relationship will keep the depth and the permanence which are necessary for both Europe and France." This was the rather portentous way in which Mr Alain Juppé, France's foreign minister, sought yesterday in the National Assembly to soothe anxious questioners about the currently shaky state of the Paris-Bonn axis. Independent French experts on rela-

solidity of the alliance. Ms Anne-Marle Le Gloannec of the Centre d'Etudes et Recherches Internationales pointed ont yesterday that France and Germany have successfully weathered previous hiccups in their relationship, notably the initial hostile reaction of many French politicians in 1989-90 to the prospect of German unification. But there is clear concern in France at the proliferating pinpricks between Paris and Bonn. They should not be dramatised, but neither should they be underestimated," said Mr Juppé

about anything as spectacular as German unification, but the fact that they are so numerous, ranging from monetary policy and Gatt to bananas and waste recycling, makes them harder to manage," commented Ms Le Gloanne

They are compounded by the fact that the new Balladur government is proving more assertive of French interests than its socialist predecessor. Mr Edmond Alphandery, the economy minister, carried this too far last week by appearing to summon his German opposite numbers to Paris for talks on "concerted" interest rate cuts,

increasing number of countries seemed to be looking to the Bank of France rather than the Bundesbank for the lead in low-

ering the cost of money in Europe. Not surprisingly, the Germans refused to cross the Rhine last week. But the view in Mr Alphandery's own ministry is that their minister's gaffe does not change "the fundamentals" which remain in France's favour. These are that France has lower inflation, and less depressingprospects for growth and for budget defi-

like the Netherlands, will be able to keep its short- and medium-term interest rates below those of Germany, and may be able to cut rates a little bit more, independently of whatever the Bundesbank does.

Virtually every minister in the Balladur government believes, or hopes, this will eventually bring recovery in France. The one exception is Mr Alain Madelin, the minister in charge of small business, who in an interview yesterday complained that "the franc's link to the D-Mark imposes a floor on French short-term rates, which cits, than Germany's. Therefore, France, can no longer drop significantly below

German rates, as France's situation demands". But the maverick Mr Madelin did not go as far as urging publicly any

change in the franc/D-Mark parity.

Mr Balladur has not yet struck any close relationship with Chancellor Kohl, whose relationship with President Mitterrand remains closer. It has therefore become essential for the French prime minister that his "cohabitation" with Mr Mitterrand stay as smooth as possible. He is banking strongly on Mr Mitterrand using his influence with Mr Kohl, both at the Tokyo summit next week and later.

**Deutsche** 

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## Bundesbank given rates signal

By Christopher Parkes in

THE Bonn coalition's DM25bn (£9.8bu) savings package was widely hailed yesterday as a signal for the Bondesbank to resume entting key interest rates - hut there was no agreement on when the first move would come.

Today's meeting of the central bank's policy-making council in Leipzig was considered too early by Mr Rüdiger Pohi, a member of the government's council of economic

He believed the bank might

ection until the political

fate of the rontentious package, based on cuts in social spending, was clearer. Financial market traders were also sceptical, even though the bank early yester-

nudge to the securities repurchase rate, at which it surplies markets with wholesale funds, A cut from 7.59 to 7.58 per cent - the smallest possi-

hle - had been expected and gave no grounds for immediate optimism, one trader said. However, as several observe re-pointed ont, after todal, s meeting only two more council sessions are scheduled before the long summer break. Strains in the economy

alone pointed to the need for some encouragement from the central bank sometime this Despite the Bundeshank's ots to talk ur

the state of the economy, calls are increasing from industry for further rates relief. Mr Tyll Necker, president of the BDI federal industry confederation, said earlier this week that the end of the slump had not been

reached and all indicators were still pointing down-

Private sector economists have this week downgraded their forecasts and now expect the west German economy to shrink by np to 3 per cent in 1993. The guvernment, too, wants some help to divert further criticism of German fiscal laxity and monetary rigidity expected at next month's summit of the Group of Seven leading industrial nations in Tokyo. Chancellor Helmut Kohi would draw attention to the deficit-reduction package at the talks, Mr Dieter Vogel, the official

spokesman, said. The planned cuts would belp pnt an end to uncertainty about the stability of the D-Mark, be added, and create conditions for further rate cuts. Reductions in social supports would make them a less: attractive alternative to work-ing. Deutsche Bank, with especially close links to industry, was among the more bullish onents of immediate cuts. Mr Axel Siedenberg, an economist in the bank's research division, said he expected at least a quarter-point reduction today in the 7.25 per cent dis-

Lombard rates. He pointed to the expected return of monetary growth to the Bundesbank's target range, a further easing of inflation, and continuing falls in import prices.

count and the 8.50 per cent

Although import prices in May fell 0.3 per cent to stand 3.6 per cent lower than a year earlier, other economists pointed out that the recent rise of the dollar against the D-Mark would quickly push them up again.

### Germany defends true symbol of unification

### 'Ja' we have cheap bananas

By Quentin Peel in Bonn

IF THERE is one true symbol of German unification it should be the beloved banana, they say in the Berlin back-

When east Germany left the grim, fruit-free world of Communist rule and joined the bulging materialism of its western sister state, the most extraordinary change came in the consumption of bananas. East Germans proceeded to celebrate their new-found freedom hy devouring no less than

over the EC average of 11kg per head. With imports running at 3.4m tonnes a year, Germany is now hy far the largest bananaeating nation in the industrialised world. Which is precisely

why the new European Community regime to curb cheap imports of so-called "dollar bananas" from Latin America, and favour the dearer and humbler products of the Caribbean and Africa, is a subject of national outrage.

Stickers abound in car windscreens and shop windows, urging fellow citizens in Gothic script to be patriotic and "eat German bananas".

The decision on Tuesday by the European court of justice to reject the German govern-ment plea for an injunction to stop the new banana import regime is therefore a new blow to Germany's traditional loy-

it comes on the eve of the oral hearing in Germany's own constitutional court in Karlsruhe on whether the Maas-

tricht treaty on European union is compatible with the German constitution. Some would see it as an ominous reminder that when a real German issue is at stake, devotion to the cause of European integration evaporates.

They point to the famous battle over the German Reinheitsgebot, which demands that all beer brewed in Germany be free from all artificial additives

And at the heart of the opposition to Maastricht is the ordinary German's devotion to his unlikely to decide on Maastricht before September. Few legal niceties. But they all understand the threat to their money, their beer, and their

### plan By Arlane Genillard in Bonn

GERMANY'S parliamentary groups have given the go-ahead to the plan which will pave the way for the eventual privatisation of Deutsche Telekom, the stateowned telecommunication

monopoly.

However, the plan was criticised by the German chamber of yesterday said that creating a state-controlled holding company would hinder the international competitiveness of Deutsche Telekom.

. The German industry federation was critical, too. Mr Tyll Necker, its president, said "the ability of Deutsche Telekom to go to the stock market will not be secured under the present

privatisation plan". In an internal vote, the parliamentary groups of both the governing parties and the opposition Social Democrats voted for a government plan which will allow Deutsche Telekom to start selling shares on the stock exchange as early

as the middle of 1996. The plan foresees the creation of three separate joint-stock companies for Deutsche Telekom, the postal service and the postal bank. These would operate under a

The holding company would European telecoms market is opened up in 1998, as recently agreed by the EC.

## Brussels unveils its policy of glasnost

By Devid Gardner in Brussels

INFORMATION provided by the European Commission will from now on consist of "the truth, the whole truth, and nothing but the truth", pledged Mr Joao de Deus Pinheiro, commissioner for internal political relations, announcing Brussels' long-awaited new strategy of openness.

He hailed the new policy as "a milestone" and "a democratic approach", after which the Commission would present information to the public and the media on demand, speedily and without "techno-babble". The measure is intended to clean up the image of the EC in general, and of the Commission in particular.

All Commission documents would eventually he made available, he said, once a sys-tem had been put in place to "distinguish hetween those which are and aren't" official policy. Draft documents, which reveal the preliminary policy thinking of the EC's quasi-executive, should also be open to scrutiny. Mindful of the contro-

versy within the Commission over opening up its workings to public view, Mr Pinheiro warned that "the new policy, will only work if it is identified with by everybody".

The commissioners themselves, some of whom are rarely if ever seen in public, would come forward much more regularly to give an account of their work, Mr Pinheiro said. "It's important that there should be full disclosure of the Commission's views." "People want more information, better explanations and a ine whether information is

faster service," says the document approved by Brussels yesterday. "What they do not want are propaganda, and

Throughout the Commission departments there will now be an official designated to provide information requested by the public and the press. A small strategy group will monitor the overall political coherence of Commission information, while a steering committee based on its information directorate will exam-

meeting the specific needs of those seeking it. In addition, feedback should come from an external users' advisory council, made up of husiness, trade unions, the pro-

fessions, civic groups and the

Although the Commission has now made its move, the Community's council of ministers has still to make up its mind on the possibility of freedom of information rules, allowing the public access to Scandinavian model.

### Greek government's stability in doubt down the government. How-

By Kerin Hope in Athens

GREECE'S former foreign minister, Mr Antonis Samaras, yesterday launched a new political party, throwing the stability of the government of the prime minister, Mr Con-stantine Mitsotakis, into doubt. Announcing the foundation of "Political Spring", Mr Samaras called for a fresh approach, but avoided outlining specific he does not want to bring

ever, the resignation earlier this week of Mr Yannis Averoff, a prominent backbencher in the ruling New Democracy party, could presage the departure of other personalities, making it increasingly difficult for Mr Mitsotakis to govern effectively. His authority has been eroded recently by accusations that he was involved in an illegal phone-tapping operajudicial authorities.

state holding company. retain a 50 per cent stake in Deutsche Telekom as long as the latter has a monopoly in basic telephone services and lines. The majority stake would be relinquished once the

## Baton passes to country that actually likes EC



By Lionel Barber In Brussels

NE IS a flesh-pumping Flemieh Christian Democrat with a passion for football; the other is a high-brow Flemish Socialist who conducts orchestras in his spare time. Meet Mr Jean-Luc Dehaene, Belginm's prime minister, and Mr Willy Claes, Belgium's foreign minister, two newcomers on the European scene who will be running the European Community for the next six months. Today Belgium takes over

the rotating EC presidency from Denmark. Mr Dehaene and Mr Claes can barely disguise their satisfaction. After the niggling nationalism of the previous British and Danish presidencies, federalistminded Belgium is pressing for a return to Community orthodoxy. "We need more Europe, not less Europe," says Beyond the elogan lie two

goals: to restore the authority

of the European Commission

as policy-motor and arbiter

between the 12 member states; toward monetary union must and to apply the provisions of the Maastricht treaty, assuming, of course, that it survives the final stage of ratification in the UK and a legal chal-

lenge in Germany.

Neither task will be easy.

The mood in the Community remains sour, best captured by tensions between France and Germany over trade and interest rates. Unemployment in the EC will pass the 18m mark by the end of the year. The EC remains becalmed.

Yet the pressure is on the Belgians as a founder member of the RC to end the drift which began, just over a year ago, when Danish voters narrowly voted to reject Maastricht. The stakes are high: the next three EC presidencies -Greece, Germany and France all face election campaigns in the next 18 months in which support for Maastricht could

be a liability. Viscount Etienne. Davignon, chairman of the conglomerate Société Générale de Belgique. argues that credible progress

be made during the Belgian presidency. The challenge is to formulate a deal on the site of the new European Monetary Institute, the precursor of the European central bank, which will enpervise operation of the putative single European cur-rency. Belgium is a great enthusiast for the single currency, but its credibility as a member of the "hard core" currency bloc built around the D-Mark took a knock recently.

Mr Philippe Maystadt, finance minister, snggested that the Maastricht criteria for reducing budget deficits might have to be relaxed if the recession continued well into 1994. Mr Maystadt subsequently. said he had been misquoted, but the impression of wavering lingered.

Belgium also wants to make Maastricht's provisions for a common EC foreign and security policy work. This may seem remote after the disarray over former Yogoslavia; hnt Belgium is looking for less controversial areas where the

the EC and an expert in the foreign policy provisions of the treaty. He is a believer in process as much as concrete "The Belgians are playing a long game," says one EC diplo-mat. "They want to encourage the correct habits."

12 can agree to "joint actions".

An important behind-the-

scenes figure over the next six

months will be Philippe de Schoutheete de Tervarent, Bel-gian's veteran ambassador to

By contrast, the British and Danish presidencies are seen as having introduced bad habits. Their enthusiasm for speedy enlargement of the EC to include Austria, Finland, Norway and Sweden by 1995 is not shared in Brussels; nor is the Danish push for more tele-vised ministerial meetings. Five-minute sound-bites on camera are not the best way to restore EC credibility, says Mr

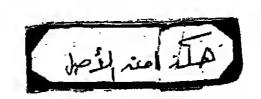
On the positive side, Denmark succeeded in liberalising the EC road hanlage market, as well as presiding over the

and political integration of into the RC, which included more generous market access But too often tts ambitions

were overshadowed by the imperative of securing a Yes in the second referendum at the end of May and a quaint nationalism, No doubt, EC diplomats will be relieved that the question of whether to fly the Danish flag outside the White House will not dominate planning for an EC-US summit; on the other hand, they may mise the way in which the Queen of Denmark could throw EC protocol to the wind by issuing an invitation to Mr Boris Yeltsin in the middie of planning for an EC-Russia summit

At the very least, they must hope that Belgium's fragile coalition government will last onger than the Danish coalition last January. Two weeks into the presidency it fell victim to a scandal over the treetTHE FINANCIAL TIMES
Published by The Financial Times
(Europe) GmbH, Nibelungenpiatz 3,
60318 Frankfurt am Main, Germany.
Telephone 49 69 156 850, Fix 4969
996481, Telex 416193, Represented by
Edward Hugo, Managing Director.
Printer: DVM Druck-Vertrieb und
Marketing GmbH, Admiral-RosendahStrasse 3s, 63263 Neu-Isenburg (owned
by Hürrivet International).
Responsible Editor Richard Lambert,
clo The Financial Times Limited,
Number One Southwark Bridge,
London SEI 9HL, UK, Shareholders of
the Financial Times (Europe) Ltd.,
Lundon and F.T. (Germany
Advertising) Ltd, London Shareholders
of the above mentioned two companies
in The Financial Times Limited,
Number One Southwark Bridge,
London SEI 9HL. The Company is
incorporated under the laws of England
and Wales, Chairmare D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue
de Ripni, E-15044 Paris Codex 01.

and Wales. Chairman: D.C.M. Sel.
FRANCE
Publishing Director: J. Rolloy, 168 Ruc
de Rivoli, F.-75044 Paris Cedex 01.
Telephone (01) 4297-9621. Fax (01)
4297-0629. Printer: S.A. Nond Eclair,
15/21 Rue de Caire, F.-99100 Roubant
Cedex 1. Editor. Richard Lambert.
LSSN: 1SSN 1148-2753. Commission
Parinaire No 67808D.
DENMARK
Financial Times (Scandinavia) Ltd.
Vimmelakafted 42A. DK-1161
Copenhagenk. Telephone 33 13 44 41,
Fex 33 93 53 35.



**NEWS:** EUROPE

## Moslem gains prompt mobilisation

## Bosnian Croat army issues general call-up

**BOSNIAN** Croat commanders yesterday ordered a general nohilisation as their troops tried to push back Moslem forces from Mostar, southwestern Bosnia-Hercegovina.
Mr Jadranko Prlic, prime

minister of the self-styled Croat state of Herceg-Bosnia, yesterday ordered Bosnian Croat men between the ages of 18 and 60 to report for military

duty within 24 hours.
"We have big problems with
them [the Moslems] around Mostar. But otherwise 1 think we have enough men." Mr Prlic said yesterday in a telephone interview. Moslems outnumber Croats, who comprised 17 per cent of Bosnia's pre-war population of 4.3m. But Croat forces are better armed end have been bolstered hy reinforcements from Croatia.

Bosnian and Croatian radin resterday reported heavy fighting in Mostar, on the Neretva river. Recent attempts by the Croats to seize control of Mostar have reduced to rubble the regional capital of southwestern Bosnia-Hercegovina, already heavily damaged last year hy Yugoslav army shell-

Sarajevo radio reported that some 30,000 Moslems were

The UN Security Council was poised last night to approve a three-month extension until September 30, of peacekeep operations in the former Yugoslav republics. Croatia, where 25 UN soldiers have been killed and 246 others wounded. had wanted only a one-month extension while a broader enforcement mandate to deal with Serb attacks might be negotiated, writes Michael Littlejohns in New York. But Mr Boutros Boutros Ghali, the secretary general, advised the council that this was not practicable, also rejecting "for the moment" the option of withdrawing UN peacekeepers entirely from Croatia. Earlier, the council had rejected a resolution to lift the arms embargo against the Bosnian Moslems. The US backed the measure, parting company with Britain, France and Russia which had threatened veto. However, the opponents abstained when the resolution's third world sponsors could muster only six votes.

trapped in the city, with no food, medicine or electricity. The radio said Serbs and Croats yesterday pressed on with their joint attack against the Moslem-led Bosnian army around Maglaj and Zavidovici, Moslem-held towns in northcentral Bosnia. Reports said refugees streamed out of Novi Seber, a suburb of Maglaj.

which was set ablaze. Corpses floated dnwn the River Bosna which flows through both towns, according to one report which could not be independently confirmed. UN officials yesterday said Serh commanders had des patched tanks to fight beside Croat forces around Maglaj.

Recent reports say Serh

fighters have rented tanks to their one-time enemies for DM500 (£200) a day. Tanjug, the Serbian news agency, denied that Serbs and Croats had engaged in a joint assault against the Moslems.

The tenuous alliance between Croats and Moslems collapsed in April when Croat forces moved to take control of key towns in central and southern Bosnia, expelling Moslems from territory they claimed was designated as



A column of teenage Bosnian Moslem recruits on their way to military exercises above Zenica

## Deficit reined back in revised Russian budget

THE international Monetary Fund is due today to announce approval of a new \$1.5bn loan to Russia after extracting further market reform steps from the Russian authorities.

The money was expected to be approved by the IMF board yesterdey after Mr Michel Camdessus, the maneging director, complained earlier this month that the govern-ment and central bank were not doing enough to implement a statement of intent promising further reforms.

Since then, Moscow has produced a series of measures to promote reforms which IMF oans, such as this first half of a so-called systemic transformation facility, are intended to

Mr Boris Fyodorov, the radi-cal finance minister who sees outside pressure as a tool to help him overcome dnmestic resistance to painful reforms, yesterday presented to parlia-ment a revised budget adjusted to inflation, and introducing new taxes to increase reve-

The revised budget proposes a budget deficit of 10.4 per cent nf gross domestic product as opposed to 12.2 per cent in the

The new taxes include a 7

Government is trying to meet reform demands by IMF, writes Leyla Boulton

per cent levy nn enterprise rev-ennes to raise subsidy money for coal and agriculture, an increase in oil excises from 18 to 30 per cent, and unspecified

in Moscow

On Tuesday, the central bank increased the rate at which it lends money to commercial banks from 120 to 140 per cent.

This brings it, as one west-ern official put it, within stri-king distance of achieving a promise that by mid-July this rate will not be more than seven percentage points lower than an ill-defined market rate. When the statement of intent

150 per cent, despite annual infletion of more than 1,000 per

Mr Fyodorov has apparently stuck to limits he set for credit expansion in the second quarter of this year. From today, he has liberalised coal prices, as part of promises to the Fund to remove existing price controls hy the end of this year.

Although parliament is expected today to give the government permission to proceed with spending in the third quarter, it is expected to refuse to approve the overall budget.

Having rejected the earlier budget, it is now demanding details on how the government plans to spend money to support the country's ailing enterprises. But the government has so far failed to produce a long-promised industrial policy, partly because of internal divi sions on what this should con-

Russia is due to receive in the eutumn the second half of the systemic transformation facility, which sets weaker conditions than the Fund's traditional standby agreements. Russia has aimed to conclude a standby agreement, releasing further \$3bn, by October 1.

### A night in Paris for price of 3 in Manchester

By Michael Skaplnker, Leisure Industries Correspondent

THE most expensive hotel rooms in Europe last year were in Paris, followed by Geneva, Madrid and London according to a survey by leisure consultants Pannell Kerr

Forster.
The cheapest rooms were in Manchester, Birmingham, Edinburgh and Helsinkl.

The average price paid for a quality hotel in Paris, as opposed to the official rate charged, was FFr1,284 (£150). in London, the price was £102.76. In Manchester, the cheapest of all 25 cities surveyed, the average rate charged was £49.37 a night.

. Edinburgh offered the biggest discounts on its official rates, with average reductions of 44.8 per cent on offer to the traveller prepared to haggle. Oslo was the second biggest discounter at 44.7 per cent, followed by Manchester at 42.8 per cent and Athens with 40.1 per cent. Zurich was the city with the smallest discount, 12.5 per cent, followed by Prague (14.5 per cent) and Ber-lin (15.5 per cent).

-Hotels in Prague had the highest occupancy of any large European city last year, followed by Munich and Athens. Prague hotel occupancy was 71.1 per cent in 1992, compared with 71.5 per cent the

By John Lloyd in Moscow

THE MAN whose private army

forced the elected president of

Azerbaijan to flee his post was

yesterday named prime minis-

er and "supreme commander"

of the largely Moslem Cauca-

Mr Surat Husseinov, aged 35, las nominated by Mr Gaidar

Assev, the former Azeri Com-munist party leader who is

now the powerful chairman of

perliament. He promised in a

speech to the deputies that the

creation of a national army to

prosecute the war against

Armenia in Nagorno Karabakh

would be "among his first steps". He also promised to end

the country's economic crisis

and ensure an adequate supply

of food and other products to

part of an agreement

the population.

(IIC (IIC

Azeri strong man takes command

Chief of private

army to be PM

previous year. Occupancy in Munich was 70.4 per cent, compared with 66.6 per cent in 1991. Athens, which had suffered badly during the Gulf war, saw occupancy rise from 59.1 per cent in 1991 to 70.1

of Europe's main financial centres, London occupancy increased to 67.7 per cent from 64.2 per cent in 1991 and Parisrose to 67.4 per cent from 62.8 per cent. Occupancy in Frankfurt fell slightly from 70.5 per cent in 1991 to 69.2 per cent last year.

Helsinki was the city with only 51 per cent of rooms full last year, compared with 55.1 per cent in 1991. Milan had the second emptiest hotels with occupancy of 51.7 per cent, fol-lowed by Birmingham (52.5 per cent) and Geneva (54.5 per

**Budapest** and Prague had the largest number of foreign guests staying in their quality hotels, with 98 per cent com-ing from abroad. In Brussels and Warsaw, about 94 per cent of guests in quality hotels were foreign. Birmingham had the fewest foreign hotel guests

at 10 per cent. The Eurocity Survey is available from the Hotel Research Department, Pannell Kerr Forster Associates, New Garden House, 78 Hatton Garden, London EC1N 8JA. £500.

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Waste Management International plc LOCAL PRESENCE, GLOBAL KNOW-HOW.

brashed out in the past three Pays between Mr Alyev and Mr speinov the new prime minwill control the defence, erior and security minisfries centralising all armed the told parliament that "the

conditions already exist for ading the war which has been knist on Azerbaijan in the mediate future. If diplomatic s are not successful, then it will be done through war

and Azerbaijan will win." Mr Alyev, who assumes the function of head of state relinquished by the deposed President Abulfaz Elchibey, called the people to unite to end "civil" war in the country. He blamed Mr Elchibey, presi dent for only a year, for the collapse of the Azeri forces and the capture of Mardakaert, the last Azeri-held town in tha Armenian-dominated enclave of Karabakh.

Mr Husseinov sought to calm the fears of oil companies which had been expecting to sign a \$40m (£26.6m) deal with the Azeri government this month to develop the rich reserves in the Caspian Sea, saying "the present government approach to this will be

more sensible and civilised". However, he spoke after Mr Sabit Bagirov, head of the state oil company, had given notice of his resignation, saying: " have received indications from our new rulers that I am not wanted." Mr Bagirov had negotiated the contracts with companies including Amoco, Brit-

isb Petroleum and Pennzoil. Mr Alyev and Mr Husseinov now face the immense task of restoring morale to forces shattered hy constant reversals while dealing with the refugee crisis of many thousands.

WASTE MANAGEMENT INTERNATIONAL PLC IS A MAJORITY-OWNED SUBSIDIARY OF WMX TECHNOLOGIES, INC., THE WORLD'S LEADING ENVIRONMENTAL SERVICES ORGANISATION.

# economic expansion

Zhu: heavy responsibility

nomic overheating.

gress, or parliament.

required.

spending binge that is one of the main causes of China's eco-

The State Planning Commission reported last week that

the economy would grow at 13-14 per cent in the first six

months. This far exceeds the

8-9 per cent growth targets for

the year, announced in March at the National People's Con-

Recent measures to cool the economy, including credit

curbs, appear to have been

ineffective. A panicky leader-ship has clearly decided that

more severe medicine is

The reported decision to

invest Mr Zhu, 65, with greater

responsibility for disciplining

the economy is a sign of the

situation's seriousness. It is

also confirmation of Mr Zhu's

growing importance; although

he can hardly afford to fail in

By Tony Walker in Beijing

CHINA is poised to clamp down on its overheating economy amid reports that its central bank governor has been sacked for failing to imposs order on a chaotic financial

Wen Wei Po, a Beijing-affiliated newspaper in Hong Kong, reported yesterday that Mr Zhu Rongji, senior vice-premier, would have his responsibilities extended to include supervision of the People's Bank. His main task would he to enforce tougher credit curbs.

Officials in Beijing have declined to confirm the sacking of Mr Li Guixian, the central bank governor, hut there seems little doubt he is being made a scapegoat for an explo-sion of credit that has fuelled unrestrained economic growth.

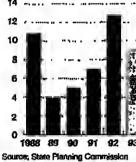
China's ruling polithuro is reported to have convened recently in emergency session to formulate stronger steps to deal with the economic crisis. marked hy spiralling inflation and deepening concern over disorder in the financial sys-

Cost of living increases are reported to have reached 20 per cent on an annualised basis in the first five months of the year in the larger cities.

Among criticisms of Mr Li are that he failed to control non-hank financial institutions, such as trust companies. that have lent huge sums for investment in property and This has helped fuel a capital

#### Reports of an imminent China: The troubled economy

GNP growth (annual % change)



Inflation (annual % change)

team coincides with a meeting in Beijing of the standing committee of the country's parliament, at which harsh criticism has been voiced of the leadership's financial management.

Mr Cai Cheng, a prominent member of the standing committee, was quoted by Xinhua, the Chinese news agency, as saving poor financial management and weak controls on banks were two of the main reasons for the country's present financial problems.

Mr Cai singled out what he described as a failure to reform China's financial system as a principal cause of the present malaise. "The financial system has not been reformed to suit the market economy," he said. Vice-premier Zhu Rongji,

who has been described as China'e economic czar, is regarded as a reformist hut has heen advocating more decisive steps to regain control of the econ-However, divisions in the

leadership, the poor health of premier Li Peng, who is suffering from a heart condition, and fears of the reform process heing derailed have delayed A senior Chinese official has attempted to scotch the latest

round of speculation that Beijing may soon scrap its special foreign exchange certificates (FEC) in a one-off bid to unify exchange rates, Renter adds from Shanghai.

Mr Yang Xianlin, head of the policy department at the State Administration of Foreign Exchange Control, said he had "received no notification that exchange into FEC will cease",

"The rumours that the FEC will be sholished are without foundation." he was quoted as Mr Yang's statement reflects

sharpening concern over the future of the FEC, which China introduced in the early 1980s as a special currency for foreigners parallel to its own renminbi yuan.

Repeated rumours that the FEC is about to go have swept

## China moves to cool Japan rebels admit to higher earnings

By Robert Thomson in Tokyo

THE rebels who brought down Japan's ruling Liberal Democratic party are either more honest or better investors than than their political peers. They admitted yesterday to earning almost 50 per cent more than the party average last year when Japanese MPs disclosed their incomes for the first time. Tha 44 pro-reform rehels, who formed the Japan Renewal Party, are apparently hetter cushioned for the tough limits

would be part of their reform The JRP members admitted to earning an average Y50.4m (\$471,000) last year, well above

on political donations that

the all party average of Y30.9m and the Y34.8m of their former LDP colleagues. Japanese politicians receive an annual allowance of Y20.6m, and the extra money comes from interest, dividends, corporate retainers or asset sales.

But the figures announced yesterday do not include funds that publicity-shy politicians have channelled through private companies, relatives or even their young children. There are at least 81 Japa-

nese politicians who have confessed to being poor managers of their funds - they claim that the only income received last year was the Y20.6m in parliamentary pay, and not a yen more in dividends, interest

received or appearance fees. The figures prompted JRP members to explain that the difference in their earnings was a measure of their hon-

esty, but the large gap was an embarrassment. Japan Communist party members were at the bottom of the pile, claiming that their average income was Y21.4m, while the socialist party members were better heeled at Y24.1m Members of most parties were still nervous yesterday

that Japanese prosecutors would strike again before a general election on July 18, and were also concerned that the construction industry has been frightened away from political donations. The prose-

regional mayor on Tuesday for allegedly taking bribes from construction companies.

Prosecutors said executives from four leading construction companies admitted to giving Y100m to the mayor, Mr Toru Ishii, but denied that the money was a bribe. Among the officials in enstody is a vice-president from Shimizu, the largest general contractor, whose president, Mr Harusuke Imamura, resigned yesterday from a post at the Keidanren, the federation of economic

organisations. Mr Imamura had been chairman of a committee on decentralisation, and apparently tendered his resignation as a

cutors arrested a well-known mark of shame at his company's implication in the scandal. The Keidanren, the country's most important business organisation, immediately S li extend norat

[ranium]

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AMERIO MO BUSIN MAGA

accepted the resignation. The construction ministry said the four companies. Hazama, Nishimatsu Construction, Mitsui Construction, and Shimizu, will be forbldden from tendering for ministrycontrolled contracts for between two and four months, while 20 local governments

companies. Prosecutors say the four companies provided funds to Mayor Ishii in an attempt to hreak into the public works market in northern Japan.

have also imposed bans on the

NOTHING TO DECLARE: a Somali boy with hands up passes a US army checkpoint in Mogadishn yesterday. US soldiers have sealed off an area around the airport searching for weapons. Incidents involving Somali gunmen prompted the UN to intensify security

### Africa reconstruction levy sought

By Patti Waldmeir in Johannesburg

AN OFFICIAL of the African National Congress yesterday called for the imposition of a heavy "reconstruction levy" on individuals and corporations in South Africa to finance the building of a "new and more equal" post-apartheid society. Writing in the Johanneshurg Star newspaper, Mr Tito Mbow-

eni, deputy head of the ANC

economics department and one of its chief economic policymakers, argued for a charge to be levied along ths lines of Germany's post-war levy, under which individuals and corporations paid half of their assets to the state to help finance reconstruction.

Such a levy is not official ANC policy, but Mr Mboweni's advocacy suggests that the organisation is seriously considering adopting it officially.

Mr Mhoweni made clear the levy would be compulsory: "All South Africans who have the ability to contribute financially to the process of reconstruction should do so hy law." He added that normal budgetary resources were insufficient to finance post-apartheid development sypenditure without creating unsustainable budget

Mr Mboweni sought to reas-sure South Africans that

"there is no need for anybody to he scared" at the idea of a levy. However, his comments could well give cause for concern to the potential investors now being courted in the US by Mr Nelson Mandela, ANC leader. He is touring the US to raise election campaign funds for the ANC, and to persuade US investors to prepare investments to be implemented once international sanctions are

#### Australian pessimism over jobs

By Emilia Tagaza in Melbourne

THE Australian government admitted yesterday it had little chance of cutting deeply into record dole queues before the end of the decade.

Mr Kim Beazley, employment minister, said there was only a slight chance of the jobless rate falling to pre-recession levels of 6 per cent by the turn of the century. More than 1.6m jobs would have to be created in the next few years.

A small rise in exports, however, has given the gloom-rid-den Australian economy e breather. The current account deficit in May fell to A\$1.5bn (US\$1bn), seasonally adjusted from the previous month's A\$1.7bn shortfall.

While the performance was not startling, the jittery mar-ket reacted favourably to the near-target outcome. The Australian dollar closed half a cent higher against the US dollar, during the previous two months there had been massive selling of the Australian currency following higher than expected deficits.

The current account deficit for the 11 months to May was A\$14.8bn, and the outcome for the year is expected to be near the budget forecast of A\$15bn.

## Vietnam likely to rejoin IMF

US reaffirms its role in SE Asia

By George Graham in Washington

THE CLINTON administration is expected to lift US opposition to Vietnam's reinstatethe International Monetary Fund, allowing the country to clear its arrears and resume horrowing from the international development Institu-

A plan for France, the UK, Germany and Japan to provide bridging finance to allow Vietnam to clear its \$140m (£93.3m) arrears with the IMF has been ready for some time now, hut Vietnam's backers have been reluctant to move ahead without at

THE US will continue to

provide stability in South-east

Asia, Mr Clifton Wharton, US

deputy secretary of state, has

Mr Wharton, in Manila on

the last leg of a South-east

Asian tour which has covered

Cambodia and the six member-

told regional leaders.

Vietnam exparts say the country actually has enough the arrears on its own, howwould avoid jeopardising Vietnam's economic ratios while opening the door to financing from the IMF, the World Bank and the Asian Development President Bill Clinton is

caught between US commercial interests, which have watched angrily as other countries entered the promising Vietnamese market ahead of hem, and the emotionally pow-erful lohby of families of US soldiers listed as missing in

Sonth-east Asian Nations

(Asean) - Brunel, Indonesia,

Malaysia, Thailand, Singapore

and the Philippines - said yes-

terday he perceived there was.

prior to his visit, "considerable

concern" that the US was with-

drawing from the region. But

he stressed this was not the

His message had been "well

states of the Association of received" in each country he

least an orange light from tha action during the Vietnam

Mr Clinton's own history as someone who avoided service currency reserves to pay off in Vietnam makes his position particularly uncomfortable, even mough congressional support for a warmer relationship with the country has been growing rapid-

ly.
The administration had appeared to be on the point of lifting its opposition to Vletnam's reinstatement in the IMF earlier this year when a document emerged in Moscow which appeared to suggest that Vietnam had not released all the US prisoners of war it held officials

had visited, Mr Wharton said.

There had heen "strong

appreciation" of his assurance

that Washington planned to

remain involved in the region.

particularly from the stand-

point of economic and security

The US withdrew from its

military hases in the Philip-

pines in November last year following the non-renewal of a

suggested that the US should maintain its own embargo on trade with Vietnam, while agreeing to IMF reinstatement, In order to dampen criticism from the families of US service-

Former President George Bush had outlined a "road map" towards normal relations with Vietnam which paired progress on the missing in action issue with step by step relaxation of US commercial sanctions.

But some US husinesses fear this relaxation may be so slow that all the best opportunities in Vietnam will already have been taken up by Australian, Japanese and French compa-

treaty covering the installa-

tions. American forces still

msintain facilities in Japan

Analysts have expressed fears that the US military's

pullout could lead to an arms

race among the countries in

the region, or that a large eco-

nomic power, such as China, could "fill the vacuum" left hy

and South Korea.

the Americans.

### Jakarta wins aid increase

By David Buchan in Paris

INDONESIA'S western yesterday raised its aid for the coming year to \$5.1hn, from \$4.9hn, in recognition of Jakarta's "excellent" economic performance and continuing development needs.

But several members of the 18-nation consultative group. chaired by the World Bank since Indonesia's row with the Netherlands over human rights, raised the issue of "good governance", which they said was vital to sustain the country's development. Canada and Belgium were among those said to have taken this line. Mr Gautam Kaji, the World Bank's vice-president for East Asia and the Pacific who chaired the three-day meeting in Paris, acknowledged some donors brought up the issue of human rights, hut said they were pursuing this bilaterally

with Jakarta. Dr Saleh Afiff, Indonesia's economy minister, had declined to comment on the concerns in a multilateral forum as, he said, they were being discussed hilaterally. In a statement, the donors'

group congratulated Jakarta "on the continuity of its sound and the country's excellent economic performance". In 1992-93 this had resulted in the non-oil sector expanding 7.5 per cent, with a 30 per cent growth in exports.

At the same time the current account deficit fell to 2.4 per cent of gross domestic product. The \$1.4hn improvement in this balance reflected a growth in non-oil exports and a decline in imports. which was larger than expected, the statement

Indonesia was again congratulated for reducing poverty from 60 per cent of the population in 1970 to 15 per cent.

But Jakarta was warned it faces growing competition, particularly from newly-liberalised economies among its Asian neighbours, in expanding and diversifying exports and attracting foreign investment.

The donors' group took note of the government's recent deregulation in cutting tariffs and non-tariffs, and agreed Indonesia needed to reduce further its hureaucratic obstacles

### Sanctions and missiles fail to shift Saddam

James Whittington on ordinary Iraqis and a resilient regime

eed shopping centre in Baghdad to collect their monthly survival packs of government rations. They talk in the lines of the recent US air attacks on the country, the latest news from friends and family who have moved ahroad, and the success so far of Iraq's football team in the qualifying rounds of the World Cup.

Many of them like to consider themselves part of Baghdad's well-to-do middle class. But the 200-300 dinar monthly salaries of many of them, the equivalent of between \$66 and \$100 hefore the Gulf war of 1991, now barely reach double

figures in dollar terms. The US missile attack on Baghdad at the weekend came as a blow to these people who had hoped that the election of President Bill Clinton in the US might lead to a less belligerent relationship and some easing of UN sanctions. Instead, the economic pressure seems certain to continue with US policy aimed at pushing Iraqis to overthrow President Saddam Hussein.

The rationing system has become a means of survival for most of Iraq's 18m people. Its food basket consists of wheat, rice, sugar, oil and tea but it provides only 68 per cent of the minimum daily energy require-ment. Many families are forced to seek other sources of

Aid agencies in Baghdad claim that malnutrition ls becoming a real problem among the poor and vulnerable, especially in the north and south of the country.
With little means of earning

hard currency, and a limited and inefficient agriculture sector, the government is forced to play a precarious balancing act of supply and demand with its strategic reserves and the goodwill of a few remaining countries. The success of the system so far is fundamental to the regime's stability.

Diplomats and aid agency officials in Baghdad say soma countries are providing large quantities of food on a credit

HOUSANDS of Iraqis exports meat, and Malaysia wait outside the Rash-supplies palm oil on credit. supplies palm oil on credit. Vietnam is repaying old dehts in food subsidies, and Jordan has a tacitly UN-approved agreement wherehy it supplies goods in exchange for oil. Less legitimate barter deals are reported to be carried out with Iran and

Turkey. Where food is actually paid for, the government has been forced to use some of its gold reserves to preserve its limited hard currency. Hard currency earned from private Iraql investment ahroad is also believed to be channelled into government funds in times of severe food shortages. The fact that the regime,

with extensive help from the UN and aid agencies, has sur-vived is a cause for frustration to those who predicted sudden economic collapse when sanctions were imposed. What is more, should a total hreakdown in the system

appear likely, the fraqi government is permitted under UN \$1.6bn of oil to finance emergency humanitarian relief.
Attempts to control the free

market economy, such as the ban last year on huxury goods and the withdrawal of the prized old 25 dinar bank note in May, have failed to curh inflation or stabilise the dinar. But the rationing system has kept a large number of fragis from starving. It is difficult to gauge the

true level of popular support for Mr Saddam, but despite the hardships he remains firmly in power. At least one western ambassador in Baghdad argues that the idea that the US air attack on the capital last week should serve as a catalyst for Mr Saddam's overthrow, as US defence secretary Les Aspin has implied, is a misreading. Military confrontation with

the west has been shown to consolidate anti-west feeling in Iraq and, therefore, support for the regime and it makes the possibility of a political solution to the problem all the more difficult. While there continues to be no settlement and basis. Countries in South-East sanctions remain, it is the poor Asia provide rice, Sudan and vulnerable who suffer.

## India awaits a signal from the heavens

Stefan Wagstyl observes the vagaries of the monsoon and its immediate impact on the economy

URING the early summer, the plains of northern India become so hot that even a dust storm comes as a welcome relief to the villagers of Sherpur, a hamlet in southern Rajasthan The powdery clouds that

cover everything in a greybrown grit obscure the sun and, briefly, the temperature drops. Occasionally, a few drops of rain fall, a harhinger of the monsoon which usually comes at the end of the month These are the worst days of

must the villagers eodure the heat and the dust, but they fret about the monsoon. When will it arrive this year? How hig will it be? Will it come at all? emergency food stockpiles, a

the year for Sherpur. Not only Despite the government's

good monsoon is still a matter of life and death in remote villages. For tens of millions of rural Indians, including the villagers of Sherpur, good rains represent the difference between a year of plenty, when ralls. Mr Sharad Kale, the

money can be set aside for a wedding or for a bicycle, and a year of subsistence living. For the economy as a whole, good rains add 1 percentage point to the growth rate; widespread drought can remove at

least as much and more. The residents of India's cities are protected from the extremes of the weather, but they too cannot escape the effects of the monsoon. Even Bombay, the country's most modern metropolis, is subject to the vagaries of the weather. Last year, the rains came so late that the city authorities

started rationing water to prevent the reservoirs running dry. Newspapers ran stories counting down to the day the water was expected to run out. Then on August 12 - two months late - it rained. in 1991 there ware floods. Traffic was brought to a stand-

still in low-lying parts of the

city. The trains stopped run-

ning as water washed over the

huilt on a string of seven islands. Wa have filled in the gaps hut many areas lie at sea-level or below sea-level. You can imagine what happens.

Each day of heavy flooding costs the city millions in lost production, not to mention the damage done to buildings and d3 The Bombay Municipal Cor-

poration is preparing a Rs60bu flood control plan which involves rebuilding drains and sewers, some of which date back to Victorian times. "The trouble is," says Mr Kale, "people want improvements hut don't want to pay for them". This year's monsoon has started well, bringing good

rains to farmers in south India. Keeping to its traditional course, it moved in from the Arabian sea into the south western tip of India in the first few days of June.

city'e commissioner, or chief executive, says: "Bombay is towards the east coast. If the usual patterns prevail, it should make a U-turn over the Bay of Bengal and spread across northern India from the

However, the usual patterns do not always prevail. The difficulty of forecasting the monsoon has exercised Indians for centuries. Astrologers, priests, and scientists have all tried and failed to find the perfect way of predicting the monsoon. The burden of forecasting falls heaviest on Mr N Sen Roy the director general of the country's meteorological office.

Imposed on a map of India. With it he tracks the monsoon. "I can tell you where it is raining now." says Mr Roy, "but I cannot tell you for certain where it will rain in future." For this year, Mr Roy has forecast s "normal" mon-From there, it has spread, as soon, meaning one which Pacific.

Mr Roy sits in front of a com-

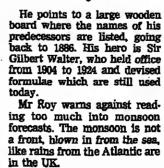
puter screen covered with hlack and white patches super-



brings rains of within 10 per cent of the long-term average. If he is right, it will mean the sixth year in succession of adequate rains.

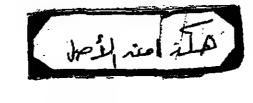


For Mr Roy, the monsoon's scientific interest lies in its unpredictability. He tracks 16 variables, ranging from snowfall in the Himalayas to wind patterns in the southern



Such weather patterns tend to sweep across whole regions uniformly. The monsoon is created hy a complex mix of changes in air temperatures and winds, therefore it can hring rain to one village and none at all to another only a few miles away.

So the villagers of Sherpur can do little to protect themselves against the vagaries of the weather. "Rich farmers can choose which crops to sell and which to stockpile," says Mr Roy, "Poor farmers have few



# moratorium

By George Graham

PRESIDENT Bill Clinton is expected to extend the US moratorium on nuclear testing. howing to intense opposition from Congress to any further such tests.

The extension would also halt any British tests at the US testing aite in Nevada and please the Russian government, which wants neither to incur the cost of further tests of its own nor to encourage any nuclear ambitions among lts neighhours, especially

Mr Clinton said yesterday that he had made a decision but was still working on details. He would make a statement in the next few days.

Congress last year passed a nine-month moratorium on ouclear testing that expires today, but it allows up to 15 tests over the next three years. After an intense debate

within the administration, a proposal was submitted to the esident 10 days ago for six US and three British tests over the 1993-96 period. Consultations with members

of Congress showed, however, that there was no likelihood that the House of Representatives would accept a resumption of testing, and httle snpport for further tests even in

Particularly damaging to the

the Defence Department's refusal to commit itself to fitting its nuclear missiles with any safety features developed because of the tests.

Nuclear weapons laboratories have argued that more tests are needed to improve nuclear weapons' safety and reliability.

Mr Clinton is expected to announce a 12-month extensinn to the moratorium, leaving the possibility of resuming tests in 1995, before the 1996 target date which Congress and the president have set for oegotiating a comprehensive nuclear test ban treaty.

Unless other nuclear powers conduct their own tests before then, a resumption appears unlikely, especially as new US tests in 1995 could undercut efforts to win support from other nations for the renewal of the Nuclear Non-proliferation Treaty, which is due to expire that year.

The British government. which had hoped for more tests to help it develop a new warhead for the Trident mis sile, has little choice but to go along with a US moratorium.

The country most emharrassed by an extension of the test ban is likely to be France, which started the moratorium by announcing that it was suspending its own controversial tests at Mururoa in the South Pacific, but which is keen to conduct more tests to help it

# US likely to | Mexico acts on wrong arm of the law

## extend N-test Damian Fraser and Lucy Conger on anti-corruption drive in law enforcement agencies

Mexican government has recently launched a highprofile clampdown on corruption in the police force and the attorney-general's office.

In two months, Mr Jorge Carpizo, the respected attorney-general, has arrested or dismissed scores of high-ranking police officers, set up an élite anti-drug police unit, and thrown in jail leaders of the notorious Sinaloa drug cartel.

This came after President Carlos Salinas had vowed the killers of Cardinal Juan Jesus Posadas Ocampo would be caught and punished.

The government's moves against corruption are at least partly aimed at satisfying outraged domestic and ioternational opinion. The murder of the cardinal, by presumed drug traffickers, sparked a fury unmatched by any other act of violence in Mexico's recent history, and threatened to damage the president's domestic stand-

In the US, Mexico'a attempts to project itself as a modernising, progressive country took a battering. Stories of sbootouts in the country's second largest airport, and tunnels

♥ OADED by the murder dug for drug traffickers in May of a Roman between the US and Mexico. dominated coverage of the country, and fuelled concerns over the North American Free Trade Agreement.

But, while the anti-corruption measures have helped the government regain the initiative after Cardinal Posadas was murdered, their effectiveness has been widely questioned. Corruption is so much a part of Mexico's police force - from everyday brihes by motorists to protection money from drug gangs - that until now all reforms aimed at weed-

ing it out have failed.

The previous attorney-general, Mr Ignacio Morales Lechuga, now ambassador in Paris, was ooce hailed as a moderniser, and he too replaced corrupt officials with what was meant to be a new breed of clean lawyers. Now many of these officials, such as Mr Rodrigo Esparza, former chief of federal police in the west coast state of Sinaloa, have been fired after suspected involvement with drugs.

The centrepiece of the latest initiatives against drug traf-ficking is the creation of the National Institute to Combat Drugs as an autocomous agency. Modelled on the US



Police action in Mexico: previous clean-up attempts have failed

Drug Enforcement Agency, the institute will lead investigetions of the drug trade, arms trafficking and money laundering, create an intelligence system and run operations to

intercept drug traffickers and

The Salinas initiative requires an overhaul of the federal anti-narcotics squad, noto-

rious for corruption. The insti-

the anti-narcotics police from the attorney general's federal

judicial police. The administration has also arrested 35 people in connection with the shooting of Cardinal Posadas and six others. Mr Joaquin Guzman Loera, apparently the intended target of the attack and head of the powerful Sinaloa drug cartel, was seized in Guatemala on June 9. and brought to Mexico.

Later, the Mexico City police chief was arrested for his role several years ago in freeing Mr Guzman Loera after the capltal's police had captured him. The attorney-general's office (PGR) also announced the dismissal of 67 federal judicial policemeo oo suspicion of drug-related corruption, while at least three judges in Socora state are under investigation for allowing the release of suspected drug traffickers

Despite these dramatic steps, many are sceptical that they will he sufficient to thwart drug traffickers and their ability to corrupt those who stand in their way.

Mr Robert Bonner, head of the DEA in the US, warmly applauds Mexico's tough measures, hut says a thorough clean-up would require "taking

tute's charter calls for splitting on officials who aid and abet drug trafficking".

"The question is," Mr Bonner says, "how do you professlopalise the PGR, how do you develop a justice system that does not let people pay their way out, and others who are arrested go free? ... You can-not just remove the [drug] leaders. We know there are relatives and others who will replace them - you have to got to remove totally the infra-

structure of the organisation. Mr Bonner suggests some institutional changes that might cut the inceotive to take bribes. One reform would eliminate the practice of seolor police jobs being auctioned off to the highest bidder, and another an end to the custom of a madrina, a freelance ageot who works aloogside policemen, being paid a commission of goods confiscated in police

Such reforms may be in the making, and would be popular with most Mexicans, fed up with bribing police and being victimised by gangs who enjoy police protectioo. But they would also eod a lucrative source of income for governmeot and police officials, whose basic salary is low and expectations of wealth high.

### Uranium process goes independent

TV networks to

warn on violence

By George Graham

THE US today will spin off its uranium enrichment activities from the Department of Energy to an independent corporation, which the administration hopes to prepare for privatisation in two years.
The US Enrichment Corpora-

tion will run two uranium plants - at Paducah, Kentucky, and Portsmouth, Ohio - and will have annual sales of about

Mrs Hazel O'Leary, energy secretary, said the new company's mandate would he to

THE four US television networks, under congressional

pressure to shield children from shows displaying vio-

lence, yesterday agreed to air warnings to parents just before

the start of such programmes.

The agreement – unveiled by senior officials of ABC, CBS, NBC and Fox – comes amid

growing concern in Congress

about the possible harmful

effects of television violence on

viewers, particularly children. Congress memhers had

warned the networks that they

might seek legislation to

impose a rating system on programmes, similar to that

In an attempt to head off

such a system, the networks

say that they will decide which

programmes merit a parental warning, based on the degree and the context of violence

This independent initiative

will come into effect in the autumn, the warning being

applied to cinema films.

By Martin Dickson

be a dominant share of the world enrichment market, by changing from a bureaucracy to a business.

The US, which now charges 30-40 per cent more than competitors such as Europe's Euroseen its world monopoly of enrichment services slip to 46

One of USEC's tasks will be the reprocessing of weapons-grade, highly enriched uranium from the former Soviet Union into low-enriched uranlum for use in commercial

shown before the start of shows and being available for

publication in programme

However, the system does

not yet cover the cahle televi-sion networks, which account

for a large and growing slice of Americans' viewing, nor does

Mr Howard Stringer, presi-

dent of CBS, acknowledged that the oetworks were likely

to lose some advertising husi-

ness from shows carrying vio-

Mr Reed Hundt, a Washington lawyer known mainly for

work in anti-trust litigation,

has been nominated hy the

Clinton administration to head

the Federal Communications Commission, the government

Mr Hundt, 45, would succeed

Mr Alfred Sikes, a Republican

who resigned in January when Mr Clinton took office. The new nominee is a close associate of Vice-President Al

Gore, who is playing a leading

role in communications policy.

body which oversees teleco

munications and media.

it extend to cartoons.

lence warnings.

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## Russia calls for 'trade not aid' treatment

Leyla Boulton on Moscow's need to be treated as 'normal' - but with help from its friends

PRESIDENT Boris Yeltsin and his government are demanding an end to trade "discrimination" against Russia as it struggles to switch to a market economy and Mr Yeltsin intends to make the point when he meets leaders of the Group of Seven industrial countries at their Tokyo summit next week.

"We want Russia really to become an equal member of the world financial and trading community," says Mr Alexander Shokhin, the deputy prime minister responsible for Russia's foreign economic relations.

in the past few weeks, Russia has demanded rapid admission to the General Agreement on Tariffs and Trade and refused to sign a partnership agreement with the European Community on the grounds that it provides insufficient access for Russian goods and services to EC mar-

Last week, Mr Viktor Chernomyrdin, the Russian prime minister, called off a visit to the US in protest against sanctions imposed by Washington because of a \$350m Russian contract to supply rocket engines to

According to Washington, the deal violates international agreements to limit the proliferation of missile technology which India says it needs for a peaceful space programme. Russia says the US simply wanted its companies to get the deal.

Closer to home, Russia is demanding that western loans be given to other newly-independent former Soviet republics to pay for Russian energy supplies. The beauty of this scheme, which the west does not even want to discuss until the Tokyo summit is out of the way, is that Russia would get new western funds while the other republics would get new debt.

"The fact that Russia is negotiating aggressively on trade shows that it's becoming a normal country," said one western diplomat. "The controversy arises from the fact that it expects better than average treatment as part of western support for reforms.

Some of the Russian complaints about discrimination are a negotiating tactic since even Russian officials ecknowledge that they do not want to expose the country to foreign trading competition all in one go - which is what speedy admission

to Gatt, for instance, would imply.
But public posturing notwithstanding, Russia's demand for "trade
not aid" threatens vital western interests in a way which earlier forms of assistance have not.

The conflict is particularly acute for the EC, Russia's close neighbour and higgest trading partner, which needs to reconcile the desire to help Russia with pressure to protect EC jobs and companies from competition from the east.

Access to western markets happens to be one of the most effective forms of support the west can give Russian market reforms. It enables Russian enterprises to help themselves rather than demand subsidies from the government. It avoids the risk of Russia's inefficient state bureaucracy squandering direct grants from western governments. It also makes western demands for faster market reforms in Russia more credible

"Jeffrey Sachs [the Harvard pro-fessor turned Russian economic



Yeltsin, left: something to tell the G7, and Chernomyrdin: protest at US sanctions

adviser] is telling the Russians to desire of many to make precious restructure or close down their factories. I say we should close ours," said one western diplomat.

However, controlled domestic energy prices, the fact that many Russian enterprises have only a poor idea of what their costs are and the

hard currency by pricing their exports cheaply, are all presented by western competitors as arguments for maintaining restrictions on imports from Russia

Exports of natural gas and oil seded by western Europe account

for the fact that Russia has a trade surplus with the EC. But while there is no demand for most Russian industrial goods, the few which are in demand face restricted access on the grounds that Russia is not yet a

market economy.

The EC operates quantitative

restrictions on steel and textiles, and in effect limits imports of enriched uranium by requiring a licence for each deal. It is soon to decide whether to slap anti-dumping duties on Russian aluminium imports. which last year sharply drove down western aluminium prices and hurt western producers.

But with much of the EC steel industry already in the throes of painful restructuring, and no similar changes yet in evidence in Russia, even free traders within the European Commission, who are sympathetic to Russia's case, say it must make more progress with market reforms to obtain better access. In that spirit, Sir Leon Brittan, the commissioner responsible for foreign economic relations, says a review clause contained in the co-operation and partnership deal could transform it into a free trade agreement

in three years.

Trade could certainly be useful as an incentive for Russia to speed up domestic reforms. In a move which should help strengthen Russian manufacturers' case in the face of accusations that they benefit from unfair energy subsidies, the govern-ment plans to free coal prices from today and domestic oil and gas prices hy the end of the year.

Russia is also putting the finishing touches to a market-sharing compro-mise with the US and the EC which could show the way in other sectors and will give it the right to conduct 12 commercial satellite launches hetween 1995 and 2000. This is despite fears at western Europe's Arianespace that it could be wiped out hy Russia's ability to conduct

### Senators try to protect fast-track authority

By Nancy Dunne in Washington

THE US Senate's Democratic leaders were preparing yesterday to fight off an attempt to amend the "fast-track" negoti-ating authority the president has to complete the Uruguay Round of international trade negotiations by December 15, Senator Fritz Hollings, a Democrat supporter of the tex-

tile industry, said he would try to attach an aggressive provision – called Super 301 – to the fast-track authorisation. Super 301 has loopholes which let the administration avoid imposing sanctions but is dis-liked by US trading partners, who see its listing of "unfair traders" as US unilateralism. The US administration, hop-

ing to avoid a battle, has asked for a "clean" fast-track, free of measures which would offend US trading partners. Lobbyists yesterday were asking senators net to "embarrass" the president by encumbering him when he discusses trade at the Tokyo summit

In the hope of harmony at the summit, the administration yesterday delayed announcing sanctions in its dispute with Japan over access to the construction market.

But the administration's entire trade agenda looks frag-ile. A US federal judge yester-day ruled that the North American Free Trade Agree-ment with Mexico and Canada violates the National Environmental Policy Act. Meanwhile, the "quad" talks

- the US, Japan, the EC and Canada, meeting in Toronto are stuck over a US retreat from the Bush administration's position on reduction of textile tariffs. Ms Jennifer Hillman, chief textile negotiator, has accepted US industry insistence that the quota phase out be tied to "substantial market access commitments, especially from the developing countries".

SEAI

### Finnair goes back on Boeing order

By Hugh Carnegy

FINNAIR, the loss-making Finnish national airline, yes-terday said it had decided not to proceed with plans to replace its 10 McDonnell Douglas and Airbus wide-hodied aircraft with Boeings because of the cost.

The airline announced in April that it had signed a letter of intent with Boeing and International Lease Finance Corporation that envisaged the replacement of Finnair's entire 44-strong fleet with a new fleet based on the Boeing 676 and 737 families of aircraft by the end of the decade.

Since then Finnair has reported losses after financial items in the year to the end of March 1993 of FM415m (\$72.8m), more than double the loss the previous year, and warned of a hard year ahead.

### Taiwan disk plant for NE England

By Chris Tighe

ONE of Taiwan's largest electronics companies, CMC Magnetics Corporation, announced yesterday it is to set up a £26m (\$39m) floppy disk production plant at Cramlington, Northumberland, in the north-east of England, creating 550 jobs over three

The plant, with an annual output target of 120m disks.

will sell in the European market, and eventually to North America, it is to receive £8.25m in regional selective assistance, Mr Tim Eggar, a UK energy minister, said during a visit to Northumberland, The project is the UK's fifth

manufacturing inward investment from Taiwan, and the third in Northumberland. Production is to start in the autumn and 100 jobs will be created in the first year.

## Norway power warning

By Karen Fossli in Oslo

THE Confederation of Norwegian Business and Industry (NHO) yesterday warned the government that a dual-pricing system was emerging for domestic and export electricity contracts, threatening to undermine the competitiveness of Norwegian

Norway is the most advanced of any European country in liberalising its electricity market, allowing exports on a concession basis,

but the NHO yesterday said the government must also allow free access to electricity imports, in order to stop dual

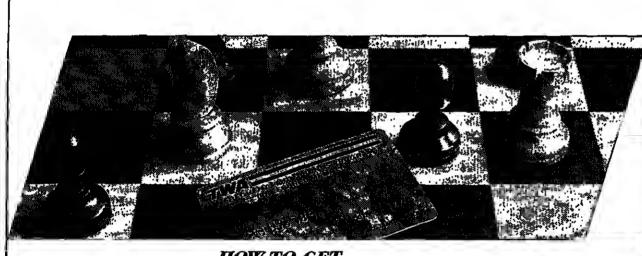
pricing.
"What we are seeking to avoid is profits being made from expensive domestic contracts, while cheap export contracts covering surplus power are agreed," said Mr Karl Glad. an NHO executive.

He warned in a letter to Mr Finn Kristensen, industry and energy minister, of electricity price differentiation, price manipulation, dumping and

monopolistic tendencies by Norway's big electricity pro-

He said costs for new transmission cables between Norway and the rest of the conti-nent were being subsidised by high domestic electricity

NHO is particularly sceptical of a recent supply contract agreed by Statkraft, the domestic power company, and Germany's PreussenElektra. The 25-year deal covers the equiva-lent of twice the annual electricity consumption by Oslo.



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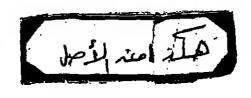
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## Agency accused of forging politician's letter Attorney General refutes Nadir claims MPs sceptical Storm over Serious Fraud Office takes new twist

THE POLITICAL storm over the activities of Britain's Serious Fraud Office (SFO), the agency overseeing financial crime, took e new twist yesterday as e senior politician made fresh allegations over its handling of an investigation.

The eccusations came straight after Sir Nicholas Lyell, the attornev-general, had responded in detail to the sensational claims about the SFO's handling of the case against Mr Asil Nadir, the former chairman

of Polly Peck International, who fled and said that the matter had been earlier this year from Britain where he feces criminal charges.

dealt with internally.

Sir David said that

Concern among MPs was intensified by the revelation that an SFO official had last year forged a letter purporting to come from Sir David Steel, a senior Liberal Democrat MP, in e separate case, related to the collapse of the Bank of Credit and Commerce International.

Sir Nicholas said he had apologised for the forgery, which he admitted was "e very of judgment, e stupid thing to do".

Sir David said that from October 1991 he had raised with the then ettorney-general the handling by the SFO of the investigation of Control Securities, whose cheirmen and chief executive. Mr Nazmu Virani, he knew slightly.

In March 1992, Mr Virani was charged with an offence of conspiracy to defraud, and just before the first court hearing, et which the SFO opposed bail, an SFO official showed his solicitor a letter purporting to be

from the MP, saying that he would

be attending the hearing. Separately, Sir Nicholas's insistence that there was no basis for an independent inquiry into the charges made by Mr Michael Mates - the former minister who resigned over his links with Mr Nadir and subsequently accused the SFO of e conspiracy against the businessman was broadly accepted at Westminster. But the opposition is still determined that the names of the other MPs who made representations on behalf of the fugitive husinessman

should be disclosed.

Supporting his argument with the publication of an edited version of the correspondence between himself and Mr Metes, Sir Nicholas went through the accusations in the former minister's extraordinary resignation statement in the House of Commons on Tuesday.

On the most serious claim, that the SFO had tried to put "improper pressure" on the trial judge, he said that the alleged conspiracy to bribe the judge was being separately investigated by the police under the

supervision of the director of public prosecutions. This had revealed no "credible evidence" implicating the judge personally, he added.

Mr John Fraser, Lahour's legal affairs spokesman, expressed some scepticism at the claims Mr Mates had made, but shared the unease expressed by several MPs et the idea that the SFO sought to generate publicity for arrests, and gave the media advance information about arrange-

Editorial comment, Page 17

### Edinburgh shuts door on Le Pen

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By David Gardner in Brussels

MR Jean-Marie Le Pen, leader of France's Netional Front, has been forced to cancel e meeting in Edinburgh next week for 14 right wing Euro-MPs. after hotels there refused to host it.

Mr Le Pen is instead to try to hold the meeting in Duhlin. It is one of a controversial series of meetings of the European Right group in the European Parliament, which are being financed by EC taxpayers.

Parliament officials in Brussels said the Edinburgh Sheraton cancelled the Le Pen group's reservations, and that perliamentary staff hed refused to help in finding an

alternative, Edinburgh's city council had also denied the group access to its premises. Mr Le Pen was seeking reser-

vations et the Fitzpatrick Castle Hotel in Dublin, they said. The European Right group issued a statement yesterday protesting that the hoteliers of Edinburgh were forced by threats to refuse any meeting

in Scotland next week. Mr Glyn Ford, a leader of the UK Labour party in the European Parliament, said he was "delighted the people of Scotland have shunned this odious man", and was sure the people of Dublin would also be outraged at the group's ettempt "to peddle their evil message

### Chemical sector spends £1bn on environment

By Paul Abrahams

BRITAIN'S chemical industry spent more than fibn on the environment last year, representing about 3 per cent of the industry's £29.9bn turnover. according to the industry's

trade body. The Chemical Industries Association (CIA) said the UK chemical sector was the first British sector to publish its spending and environmental emissions. It was also the world's first chemical industry to publish such statistics. Mr John Cox, director general, said the statistics would form e model for other industries.

The CIA reported that between 1990 and 1992, environmental spending increased from £830m to £1.032bn. Capital expenditure on the environment rose from £184m to £305m. As e proportion of total capital spending it rose form 8 per cent to 14 per cent. Environmental operating costs rose form £646m to £727m.

Discharges of red list substances - a list of 23 groups of chemicals defined by the government as being unwelcome in aqueous waste. - fell 40 per cent from 403 tonnes in 1990 to 243 tonnes in 1992.

.The levels of special wastes - e list of 29 classes of chemicals which require particular

ettention - disposed of outside chemical sites fell 9 per cent from 253,900 tonnes in 1990 to 231,800 tonnes last year.

These emissions, however, increased from 213,700 tonnes in 1992. The CIA said this was hecause companies bed been closing down sites and dispos ing of waste such as asbestos. The industry's energy consumption fell 19 per cent hetween 1967 end 1990,

although output rose 112 per cent. Energy consumption per unit of output fell 61.6 per cent. Environmental indices created for the 114 sites between 1990 and 1992, shoed 84 had improved their performance, while 30 had deteriorated.

Mr Jim Whiston, bead of health, safety and environment at Imperial Chemical Industries, said this showed the indices were credible measures. Friends of the Earth, the environmental pressure group, called for the industry to publish e complete record of all toxic emissions.

"The industry is generally improving, but it has e long way to go," said Mr Whiston. The figures were colleted from about 256 locations, representing about 75 per cent of the CIA members' sites, 88 per cent of the capital investment and 62 per cent of the entire industry's capital base.

And finally... News at Ten remains on time



Trevor MacDonald, pictured above, is the bulletin's latest anchorman, following a recent

News at Ten, news flegship of Britain's commercial TV stations, is one of Britain's uting institutions. Famed for breaking atories and a popular style, it introduces each butteth with the chines of Big Ben, from the hietoric clocktower next to perliament. the factoric closicolver next to partitiment, as the basics of the Thuring at Mesopolastic. Heavily blank to move the 30-minus. Orogenapie to an early entering stor prompted at outcors and one could continue the public continue and outcors and one could continue the public continue to public continue to public continue to the public continue

NEWS AT TEN, ITV's flagship

television news programme, is

to keep its traditional slot for

the foreseeable future after a weve of political protest at sug-

gestions that if might move to

an earlier time, writes Ray-

The ITV companies who

were snggesting the pro-

gramme should be moved, pos-

sibly as early as 6.30pm, yester-day backed down in the face of

firm opposition from the inde-

pendent Television Commis-

sion (ITC) and growing parlia-

mentary pressure which

outstrips its BBC rival, shown at 9pm, and puts it in the country's top 30 programmes

The 10pm slot was chosen more than 25 years ago to coincide with votes in the House of Commons

Some ITV companies want to move it to an earlier stot so they can show big budget Hollywood films at peak viewing time

Sir Alastair Burnet, who retired last year as the main anchorman was a former editor of The Economist and Daily Express

Michael Green, cheirman of Carlton Communications last year took over ITN, formerly owned by 15 regional iTV companies. Six ITV companies are still shareholders but they also brought in

Major, prime minister express-

Sir George Russell, ITC

chairman, yesterday wrote to

the cheirman of ell 15

regional ITV companies warn-

ing them that they risked

being in breach of their broad-

casting licences if they moved

the main evening news pro-

gramme without PTC permis-

ing concern.

The last Labour government led by James Callaghan fell during live News At Ten coverage from partiament

Under government legislation, at least 51 per cent of ITN has to be held in non-ITV hands by the end of next year.

Recent (TN scoops have included Interviews with Asil Nadir and Lord McAlpine former treasurer of

overseas donors

And Finally ... ITN usually ends on a light Item to send viewers more chearfully to

New chief executive David Gordon is determined to make ITN more international and one day compete with CNN and BBC World Service Television

the ruling Conservative party on secret

included a letter from Mr John ITC legal advice is that these commitments represent core obligations of their broadcastparliament. ing licences.

Earlier, Mr Peter Brooke, National Heritage secretary hed suggested that generally hostile parliamentary opinion on the News At Ten Issue might also have flowed over to ITV ownership issues as

A number of large ITV com-Eight of the companies had panies want to see e relaxation proposed running the main of the rules to allow the nine largest companies to take each evening news at 10pm in their hids for new franchises and the other over. Such a move, if the

government decides to go ahead, would have required e resolution in both houses of Although the ITV companies

could challenge the ITC interpretation of its powers in the courts this is unlikely. ITV executives conceded last night that the idea of moving

ITN to the early evening which came out of a strategy conference last month had been an "own-goel" and that a detailed business assessment of the move had never been prepared.

### MPs urge government to offer UN more troops

By David White, Defence Correspondent

BRITAIN'S infloence in the world will suffer unless it provides more forces to match the increase in UN peacekeeping operations, a committee of MPs said yesterday.

The cross-party Commons defence committee, which has attacked government plans for cutting army manpower, said it would expect the Ministry of Defence to show it had sufficient forces to meet peacekeep-

ing commitments.
It said the UK had been unable to make e valuable contribution in Somalie by sending ground troops, e decision epparently dictated by the evailability of forces and

"If the increase in UN peacekeeping operations is not matched by at least something approaching e commensurate increase in UK participation," the committee said, "the UK's voice in international affairs will lose enthority, and the

operations themselves will be less likely to succeed." Its report criticised delays in equipment projects which hampered British forces' capacity to intervene effectively. Despite the recent order of e helicopter carrier, to be huilt jointly by VSEL and Kvaerner Govan. Britain's amphibious intervention capahility would be "threadbare' for the next five years, it said.

The committee also called for an immediate decision on plans for new troop-carrying helicopters, ettacking the ministry for "epparent prevarica-tion" and "inaction".

However, it recognised that the UK could not join every peacekeeping operation, recommended it should participate only where its particular skills were needed, and werned thet British forces could not continue indefinitely sopporting humanitarian aid in Bosnia while coming under direct attack.

Once UN forces lost the consent of local militias, "either the mandate will have to be changed or forces withdrawn,"

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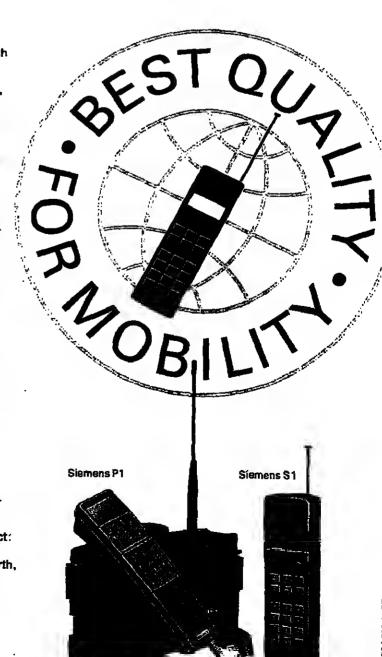
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**FT SURVEYS** 

Motorists face police checkpoints as part of anti-terrorist scheme

## City to get security cordon

and Richard Tomkins

AN ANTI-terrorist security cordon is to be enforced around the City, London's financial quarter, in a bid to frustrate bomb threats in the capital, the Corporation of London said yesterday.

The government has approved a series of tough measures, which include ringing the City with 24 hour police checkpoints, following mounting concern at recent bomb blasts, according to Mr Michael Cassidy, chairman of the policy committee at the Corporation, the City's local authority.

The checkpoints, which will have the power to monitor and stop any suspi-cious vehicles, will be put into

Arms probe

told of MI6

hunt for gun

components

MI6, the intelligence service,

was involved in Europe-wide efforts to hunt down compo-

nents for an Iraqi supergun beginning in 1989, the Scott inquiry into arms exports

Mr David James, chairman

of Eagle Trust - whose subsid-

iary Walter Somers made

supergun components, gave a detailed account of previously

undisclosed meetings he had

with the intelligence agency in the weeks leading up to the seizure by Customs of eight

1,000mm diameter tubes des-tined for Iraq in April 1990. He dismissed suggestions

MI6 might have known before

1990 that British companies

were manufacturing supergun components and engaged in a cover-np. Such claims would

not be consistent with the

"hehavionr pattern" or "enthusiasm to pursue every-

thing" of the individuals he

Mr James said the initial

contact with MIS took place at

his instigation in March 1990 after his suspicions had been aroused by three tubes, des-

tined for Iraq, which he had examined at Walter Somers'

north of England plant the

previous January.
MI6 explained that the

details he had given were

incompatible with the dimen-

sions of the parts for the

monster" gun they were

pean intelligence agencies, but

that the tubes might be part of

a prototype for this larger

MI6 said the larger gun

would be capable of firing a

tonne of anthrax a distance of

some 1400 miles, bringing Tel

Aviv within range of Baghdad.

The inquiry continues next

model, Mr James said.

tor with other kurd

dealt with, he said.

By David Owen

operation within days.

Mr Owen Kelly, the commissioner of the City of London Police yesterday met with Mr Cassidy to finalise details of the security plan, which will place checkpoints on the six main entrances into the Square Mile, blocking off all other

Against a background of mounting concern that the measures might be seen as an propaganda coup for the IRA. the Corporation of London was at pains to down play the move, pointing out that the surveillance of vehicles was already underway in the City, following the Bishopsgate bombing two months ago.

entry roads.

"This is not a "ring of steel" around the City as some of the papers have called it." Mr Cassidy said. But he admitted that

the checkpoints represented we would welcome the tighten the first stage in a broader set of security measures now being discussed with the police

and government departments. These proposals, which include restricting non-essential vehicle access to the centre of the City, and increased police and video camera surveillance, are likely to be announced today.

City businesses and banks yesterday gave the proposals a cautious welcome, although they stressed that until the fuller set of proposals were put into force it was impossible to predict the measures' likely impact on the City's reputation as a financial institution.

"As long as emergency vehicle access was maintained, and the City was able to function as a financial institution.

Henley Royal Regatta, a bastion of amateur sport and part of the traditional British stummer

season, started yesterday. A Harvard University eight from the US is among the favourities for the

**British Rail and subsidiary** 

give rival versions of accounts

The discrepancy arose as British Rail published its

annual results for the year to

March using new accounting

standards that boosted the

group's profit and loss account

system, the recession-stricken

railway would have reported

pre-tax losses going up from

£144.7m the previous year to

£250m-£300m - the group's

worst financial performance

Under the new system, intended to bring BR's results

more into line with normal

·commercial practice, group

pre-tax losses appear as

Under the old accounting

by more than £100m.

since 1985.

Thames Cup and the German national Hansa Dortmund crew is tipped to win the Grand

ing of security." the Stock Exchange said.

Nevertheless, the proposals have been greeted with concern by some government officials, particularly in the Department of Transport, amid fears that the scheme could be a interpreted as a limited success for the IRA, which has claimed responsibility for recent blasts, and create traffic congestion.

The City of London police yesterday refused to reveal when further security measures were likely to be implemented, although they acknowledged that they were currently seeking approval from the Secretary of State for Transport for their own separate scheme for extra traffic surveillance in the area.



Britain in brief

#### Police attack radical plan for force

by the Police Federation yesterday that it risked "open conflict" with the police service if it adopted radical proposals for changing pay and

Recommendations from a government-appointed inquiry chaired by Sir Patrick Sheehy, chairman of BAT industries, constitute one of the most radical packages of change ever proposed in the public sector. It would lead to all police officers being employed on limit-ed-term contracts, with pay related to individual performance and the demands of

particular jobs.

The Police Federation, which represents all officers up to the rank of chief inspector, said the recommendations would turn police work from a vocation into a "job like any other job". That would have serious implications for the way the service operated.

Mr Michael Howard, home secretary, will decide what action to take in September.

#### Coal output rises by 23%

Productivity at British Coal has risen 23 per cent over the last year. Output is now 8.5 tounes a man-shift. Mr Neil Clarke, chairman, said improved efficiency was the best way of ensuring a future for threatened pits.

#### Sick leave levels cut

The number of days council workers in London take off sick has dropped by a third over the past year, following an investigation by the Audit Commission, the public sector

efficiency watchdog.

A highly critical study hy the commission, published in 1990, found that sickness absence averaged over two-and-a-half times the national norm in the 10 London comcils studied in detail. The cost of this excessive absenteeism was calculated at £25 a head for each local taxpayer within the councils' boundaries.

The follow-up report found that time off has been cut from an annual average of 16.7 days per employee in 1990, to 11.5

#### Public spending proposals

Higher spending on education and reductions in key areas of social security spending were urged yesterday by the Confed-eration of British Industry. The suggestions are part of a plan to help industry while cutting the £50bn government deficit. The employers' body called for phased reductions in public

spending over the next three years, bringing the total in 1996-97 to £10bn less than the government's target. Within the total, spending on

training, export support and transport infrastructure should be protected from cuts, while outlays in areas such as child benefit and unemployment pay should be targeted more to needy people. The ideas are part of a CBI plan to reduce the gap between government spending and income from an expected 8 per cent of gross domestic product this financial year to 3 per cent by 1996-97.

#### Insurer cuts export costs

Punitive credit insurance aremiums on exports to Argentina and Lebanon are to be cut from today by NCM, the leading credit insurer in the UK.

Here to the state of

The company says the cuts are the first ever, and are intended to aid Britain's export effort.

Analysis pointing to lower risks of default means that premiums currently at 6 per cent for Argentina are being cut to 3.5 per cent. For the Lebanon, the cut is from 6.33 per cent to 4.5 per cent.

#### Relaunch for business school

Manchester University has persuaded Sir Terence Burns, permanent secretary to the Treasury, and Mr James Ross, chief executive of Cable & Wireless, to help re-establish Manchester Business School's reputation after last year's row over its

Both will serve on the school's new board, with Mr Ross as chairman. The board's predecessor body - a council of 14 business leaders and former Whitehall mandarins resigned 13 months ago amid recriminations about the structure of the school.

The new hoard's first job will be to address a deficit at the previously profitable school. Financial health partly depends on reputation, which in Manchester's case ranks with Harvard in the US, Insead in France, and London and Cranfield in the UK because of the quality of its postgraduate

management education.

Documents leaked to the Financial Times show a deficit of £326,700 at the end of March £706,700 worse than a thenbudgeted surplus of £380,000.

#### Aerial spraying policy defended

Mr Chris Harris, head of the Department of Transport's Marine Pollution Control Unit. defended the practice of aerial spraying when the govern-ment's contingency plans came under scrutiny at the Donaldson inquiry yesterday.

The hearing is looking at the implications of the Braer oil spill off Shetland and has examined the government's strategy which relies on aerial spraying when oil pollntion threatens the coast. Questioned by Lord Donald-

on, chairman of the hearing, Mr Harris insisted that there was international agreement that chemical dispersants were an effective way of breaking up oil spills.

The inquiry learned that the transport department spends seven Dakota aircraft which are on standby to deal with big off poflution accidents.

#### Many teachers 'unsuitable'

One in 10 newly-qualified teachers is "unsuited to teaching", according to the Office for Standards in Education. In its first report on the standards of new teachers

since taking over from Her Majesty's Inspectorate earlier this year, Ofsted said the find-ing raises the crucial question of how these students were selected for training, allowed to complete their course successfully, and gain appoint

The National Union of Teachers attributed the high proportion of unsuitable candidates joining the profession to the high level of unemployment. "The difficulty in getting a job now would persuade many people to stay in the pro-fession, even if they are not suitable."

#### Nissan UK director jailed for 8 years imported to the UK from ise that this is an offence

By John Mason, Law Courts Correspondent

MR MICHAEL Hunt, the managing director of Nissan UK, the former West Sussexbased car importers, was yesterday jailed for eight years at Southwark Crown Court for his part in Britain's largest ever tax fraud.

This followed his conviction last Saturday for conspiring to defraud the Inland Revenue of £55m in corporation tax by helping to artificially inflate freight charges for Nissan cars

Japan. When interest is added, the total loss to the public purse from the fraud is estimated to be over £87m.

By Richard Tomkins,

how much profit to

made last year.

AN EMBARRASSING FIIT

opened yesterday between Brit-

ish Rail and its InterCity sub-

sidiary as the two published

widely differing versions of

British Rail announced that

InterCity's operating profits

had slumped from £90.6m the

previous year to £65.1m because of the recession. But interCity announced that a

combination of cost-cutting

and innovative marketing had

enabled it to push operating profits up from £2m to £10.9m.

His co-defendant, Mr Frank Shannon, a former finance director with the Worthingbased company, was sentenced to three years imprisonment after admitting, before the trial began, to one offence of cheating the revenue.

Sentencing Mr Hunt, the trial judge. Mr Justice Gatehouse, said the offence was "in a category of its own. You real-

which is so serious that only a custodial sentence is appropriate. An immediate custodial sentence which is bound to be

a long one".

Sentencing Mr Shannon, the judge said his offence - helping to defraud the revenue of £17m over a one year period between November 1985 and October 1986, was a less serious crime. He also gave him credit for his guilty plea and his co-operation with the

During the two month trial

the prosecution said the fraud was by far the largest ever pernue. The "prime mover" behind the fraud, it alleged, was Mr Octav Botnar, the company's chairman who remains m Switzerland.

loss of £24.6m the previous

BR used the new accounting

system to calculate InterCity's

operating profit. But InterCity

separately announced its results under the old account-

The opposition Labour party

and trade unions accused BR

and the government of using

"accountant's sleight of hand"

to make the results look better

in the run-up to the railways'

Observer, Page 17

privatisation.

ing system, which appeared show a profits increase.

The Inland Revenue will now start civil proceedings to recover some of the £87m from Mr Hunt. Mr Shannon has already reached a settlement with the revenue, having agreed to repay £10m. Both were barred from being com-

BĀDER- UND KURVERWALTUNG ANSTALT DES OFFENTLICHEN RECHTS

Water means vitality. A very special kind of water made Baden-Baden famous - its hot springs. Their therapeutic qualities were known already to the Romans who built splendid thermal baths 2000 years ago laying the foundation for Baden-Baden.

The treasures of Baden-Baden: Lichtentaler Allee - a cameo of literary history; the spa park - a lush botanical garden with a wealth of exotic plants; the Kurhaus - the centre of social life which houses the magnificent rooms of the most beautiful casino in the world; the theatre and the pump room both within easy walking distance.

Friedrichsbad, a good reason to visit Baden-Baden again and again, a bathing palace of timeless beauty, errected in Henaissance style over 100 years ago. No lesser an attraction the new Caracalla Therme, one of the largest and most beautiful spas in Europe, a sparkling bath and therapy centre, situated directly in front of the gate of the traditional Old Police Headquarters. And nestled against the Florentine Hill, the Old Steam Bath.

Baden-Baden owes its splendour to famous names, artists and industrialists. In continuation of this tradition Baden-Baden invites private investors to participate in shaping the future of the spa facilities.

Offers are invited for (individual or comprehensive):

☑ Friedrichsbad (lease)

Caracalla Therme (lease)

Pump room (lease)

Old Steam Bath with adjoining plot (sale or lease)

Old Police Headquarters with adjoining plot (sale)

Baden-Baden past and present: young and dynamic, in a most noble setting. A very special spa, holiday ressort and conference centre - at any time of the year.

7. Ensure accil.

CURREN

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no later than

July 15,

arkating managers looking for a wida audience need look no further than school classrooms. In England and Wales, around 35,000 schools teach 7m chil-

This fact has not gone unnoticed. Glossy curriculum materials sent to schools in recent months include a history of the tea trade, produced by a consortium of tea companies, a fact-pack on the war in the Atlantic, produced by the Royal Navy, and "Chance and Change", a guide to mathematics and how it can be applied to personal finances, prepared by Pearl Assurance.

Although companies have been providing teaching aids on a limited scale for years, schools have not traditionally been regarded as a fer-tile ground for promotional activities. But the introduction of the national curriculum over the last few years is beginning to change

Martin Skelton, of the Ipswichbased educational sponsorship company Fieldwork, gives two reasons

First, the curriculum has pre-scribed what children across the country should study in much more detail than ever before. This makes it easier for companies to prepare material which they can be confident will fit in with children's scheme of work.

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Second, according to Skelton, the degree of prescription has made teachers keener to embrace anything which varies the standard educational diet.

Done well, educational sponsorship works excellently for all con-cerned. Hard-pressed schools are provided with useful material which helps children, while companies demonstrate their caring cre-

BP Oil UK, which spends around \$500,000 annually on educational material, says: "The reason it's done is a mixture of concern for BP's overall reputation as a responsible corporate citizen, and a genuine concern for relevant educational development.

The material can also educate tomorrow's customers in ways which might help the companies' products in future (explaining maths, for example, just might make complicated investment products easier to sell) and establish a hrand name at the same time.

Some companies use it as an aid to recruitment. For example, J Sainsbury, the retailer, produces a series of worksheets about the "days in the life" of different workers in retailing.

The company's policy is: "We are a major employer, so it's very important for us to have people coming out of the schools system with the sort of skills, abilities and John Authers looks at the motives of big companies which sponsor

educational course material

## Get 'em young



Some 82 per cent of schools accept help from businesses in curriculum developm

interest in business that we need." Teachers are alive to the possibilities of corporate help. The Department for Education's figures on school-business links show that 82 per cent of schools accept help from businesses in curriculum develop-

Responses to a questionnaire sent by Pearl Assurance to all schools which requested its mathematics package found that 77 per cent of schools had found some material from companies very or quite use ful. Most of the respondents said that companies did have a role to

However, Skelton makes it clear that the work has to be done well. "Our main premise is that any material has to be credible with teachers. Otherwise they will proba-bly throw it in the bin," he says. This fate is likely to befall teach-

ing aids which include a sprinkling of corporate hrand-names. Compa-nies cannot afford to be blatant. Rather, the aim should be simply to be seen to have sponsored the work, according to Skelton.

Jackie Miller, deputy general sec-retary of the Professional Associa-tion of Teachers, believes that companies are sailing close to the wind.

"There have always been one or two very poor primary schools which have been terribly grateful for anything they can get. I am not sure they have perceived until now the extent to which it's a barbed hook. Some of the larger schools see precisely what the companies are offering and dislike it."

Any material which arouses that kind of emotion will be counter-productive. The National Consumer Council's guidelines now suggest that all material should be tested in schools before it is distributed, and this is as good an idea for the sponsors as for the educators.

Product placement has to be han-dled sensitively if the material is to be used by teachers. Andrew Miller, research and development director of the University of Warwick's School Curriculum Industry Partnership, points to at least one hiatant example which overstepped the mark - Weetabix.

Two years ago, Weetabix developed a series of school hooks, including a history book, in conjunction with the Oxford University

The sponsorship was rammed home to children in the illustra-tions, which depicted all the historical figures it covered as bars of Weetabix, dressed in the appropriate costumes. According to Miller: "When something strongly branded like Weetahix is used in a subliminal way that's not good practice."

A subtler example comes from Pearl's series of worksheets. They include the question: "Find out what companies like Pearl do with the money that people pay in so that they can pay out so much more than was invested in the first place?" This is scarcely harmful, but mathematics teachers might be

Oil companies are prolific producers of curriculum material, with both Esso and BP providing formidable batteries of support-aids, particularly for science and technology. Both, however, take the opportu-nity to counter bad publicity about pollution. For example, Esso pubishes a pack detailing the clean-up of Alaska following the Exxon Valdez spillage, which some might think dwells disproportionately on how the area has now recovered. This kind of material is valuable,

but may fall prey to teachers who

Marketing experts say there is little point in designing material "in-house". Their advice is that textbooks and worksheets are best compiled by people with edncational experience, and tested in classrooms hefore distribution. Material which passes the stringent tests of both teachers and pupils then has every chance of forming part of an effective marketing strat-

## Liberté, fraternité and soon, equity

Alice Rawsthorn on the selling of the Balladur bond

🕇 ne stirring music, softly 🥻 focused images of muscular construction workers and a sonorous voiceover adjuring the French to "show confidence in our great country" and to rise to the "challenge of proving that France can wake np again".

The casual viewer could be forgiven for thinking that this was a party political broadcast left over from this spring's parliamentary elections, an early bid by one of the candidates for the 1995 presidential poll, or even a Foreign Legion recruitment film.

It is a television commercial for the Balladur hond, the new French government's special bood issue, with which Edouard Balladur, the conservative prime minister, hopes to raise FFr40bu (£4.8hn) to fund his economic regeneration schemes.

The main aim of the commercial, the lynchpin of a FFr25m "Invest In Our Future" advertising campaign, is to sell the bonds. But it also has the objective of persuading the French to transfer some of the cash now in savings accounts and money market funds first into bonds and then into shares once Balladur's FFr280hn-FFr360hn privatisation programme starts in September.

"This is pragmatic advertising," says Nicolas Monnier, chairman of Alice, the agency hehind the campaign. "We want as many people as possible to buy Balladur bonds, bot we also want to enconrage them to start thinking about participating in the privatisation S\$11es."

The unalloyed patriotism of the Balladnr bond advertising contrasts with the frivolous tone of the current UK promotion of the third round of BT's privatisation. Featuring the comedian Mel Smith, the TV and poster campaign is part of a long British tradition of humorous advertising. The private investor is an

important target for the BT sale, hnt at least the UK government knows that the issue will interest the country's large pension funds. The Balladur government has no such luxury. There are no pension funds in France because of

the state's stranglehold on the

pension system. There are also



### INVESTISSONS DANS NOTRE AVENIR.

fewer individual investors than in the UK. The shareholding population doobled to more than 5.5m in the last privatisation drive from 1986 to 1987, but has since shrunk to 4.5m, partly because of the October 1987 stock market crash.

When he launched the issue last week, Edmond Alphandéry, economy minister, was at pains to emphasise that, as a government issue, the honds were "absolutely secure". His team has also devised a string of incentives, including tax breaks and equity plans, to persnade investors to convert their Balladur bonds into privatisation shares.

At present the government does not plan to launch a generic campaign to promote the privatisations. The individual share sales will be publicised by the companies concerned, such as Rhone-Ponlenc and Elf Aquitaine. This means that the bond advertising will play a critical part in shaping

public opinion in the approach to the privatisation drive and the Balladur government decided to spend far more heavily on promoting the issne than its predeces sors did for the Giscard bond in 1973 and the Barre bond in 1977.

The Balladur bond advertising campaign is in two parts. The tele vision commercial is intended to set the scene by raising public awareness of the government's plans for the bond and for privatisation. The radio and press advertising offer more detailed information about the financial attributes of the bonds and bow they can be converted into shares.

So far the issue seems destined to be a roaring success. Ecooomists expect it to beat Balladur's FFr40bn target. It remains to be seen whether privatisation candidates will follow the government's lead by trying to persuade people to huy shares to help the economy, rather than just to make money.

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- Enables you to select the most suitable legal structure for an enterprise
- Supplies checklists so you avoid common mistakes when registering
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Much of this information is simply unavailable elsewhere and will be of real practical everyday use to anyone intending to do business in Russia. as well as legal, financial, accounting and other

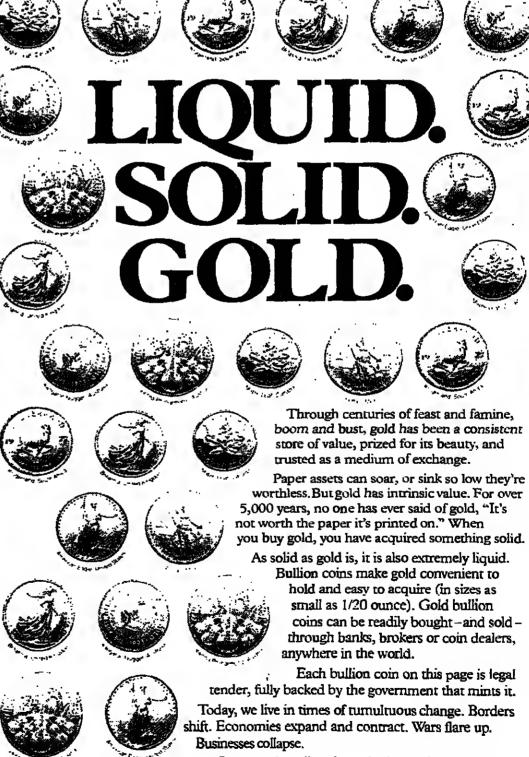
The Guide to Registering Companies in Moscow is available exclusively from Financial Izvestia to order your copy, see below.

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WORLD GOLD COUNCIL

olstered by government approval for a number of clinical trials in the US, gene therapy - the process of re-encoding the DNA in cells - is

on the verge of commercialisation. Once confined to scientists' laboratories, gene therapy is now a defined and growing industry. New companies in the sector are springing up all over the US and a number have obtained approval from the federal Food and Drug Administration to conduct clinical trials on treatments for diseases ranging from cystic fibrosis to brain cancer.

One of the first human trials approved for gene therapy, a treat-ment for ADA (or "bubble bahy" disease), which causes children to be born without an immune system. was launched three years ago, and has shown promising results. If clinical trials on other diseases go as well, companies in the sector say they may be marketing products as

The concept of using genes as drugs is revolutionary and will greatly expand possibilities for treating various diseases," says Ronald Crystal, a professor at Cornell University medical school and an authority on gene therapy. "The commercial opportunities are very exciting."

Gene therapy is a spin-off from biotechnology. But whereas hiotechnology makes use of synthetic proteins as drugs, gene therapy aims to change the DNA structure of cells so that they will produce therapeutic proteins in the body. Originally seen as a way of addressing congen-ital gene deficiencies, such as those that lead to cystic fibrosis and haemophilia, gene therapy is now being considered for possible use in the fight against cancer, Aids and cardiovascular diseases.

As the link between specific genes and diseases becomes more evident, the applications for gene therapy broaden

The expanded focus not only makes the approach more promising from a medical standpoint; it also increases the commercial potential of gene therapy products.

"The market size for gene therapy will be defined by the disease targets," says Marc Schneebaum, chief financial officer of Genetic Therapy, a leading gene therapy group. There are only a 100 or so patients in the US with ADA disease. But there are 30,000 with cystic fibrosis and millions of Americans contract

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The commercial opportunities for gene therapy are growing by the minute, reports Victoria Griffith

## A market that could spiral

genes and diseases becomes more evident, the possible applications for gene therapy broaden

More genes are being discovered to be the cause of certain diseases, which means that gene therapy may be used to treat a wide range of illnesses," explains Alain Schreiber, president of the gene therapy group Vical. For instance, non-small-cell lung cancer – the most common form of lung cancer has now been associated with the inactivity of a gene that normally es tumour growth.

To get the recombinant DNA sequences into the target cells, researchers rely on carriers such as crippled retroviruses. These inactive viruses invade the cells and alter their DNA structure. The use of these viruses, though, has caused some concern about possible side effects. "Retroviruses are known to undergo a recombination if a helper virus is around," says Schrelber.
"They are always risky."

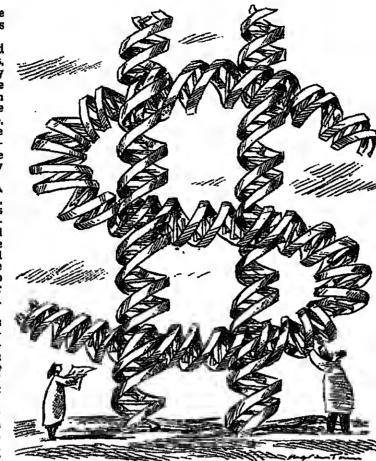
As a result, some researchers have switched to adeno viruses the class of viruses that causes common diseases such as colds - as a safer bet. "The problem with these is that they are very promiscuous," says Schreiber. "They are difficult to control."

Vical has turned to liposomes tiny globules of fat - as an even safer, though less effective, means of gene transfer. In the UK, too, researchers are tending to favour liposomes rather than viruses. "The impact may not be as long-lasting, but that may be desirable. If a therapy is temporary, it's much easier to control in case something goes wrong," says Schreiber.

Despite its promise, gene therapy faces a number of hurdles on the way to the medical marketplace. The most pressing problem is how to get the treatment into the

Because of the risks involved, most gene therapy trials continue to rely on an ex vivo approach, hy which cells are removed from the patient's body, treated, then reintroduced after a period of monitor-

One company - Genetic Therapy



- has moved to in vivo trials for its brain cancer treatment, treating cells in the body of the patient. The company asserts that the process is afe, since the carrier virus attacks only rapidly proliferating tumour cells. However, a great deal of con-cern lingers over in vivo treatments.

"In vivo gene therapy is much riskier than ex vivo," says David Carter, president of the group Somatix Therapy, "Outside the body, you can monitor the effects of the treatment. Inside you can't. What if the virus invades the wrong cells? If it does, it could cause genetic modification."

Some observers argue that because gene therapy is being used to treat a number of fatal diseases, the risks are relative. "When you're talking about a hrain cancer patient who has maybe nine months to live, the risks seem less important," says

"Radiation and chemotherapy, the methods commonly used now, are known to have serious side-effects. Our hrain cancer treatment, although it may have risks, has not yet been shown to have any side effects at all."

Ex vivo therapy may be safer, but because it is far more difficult to administer, its commercial potential is limited. "Clearly, ex vivo treatment is pretty cumbersome for any mass drug, since it can't be bought

in a drug store, or even obtained at a doctor's office," says Alan Smith, a doctor's office," says Alan Smith, head of the genetic therapy programme at the biotechnology group Genzyme. "Eventually, the form of treatment for gene therapy will have to change if it is going to be widely available."

Another problem for the sector is obtaining intellectual property rights. The FDA has sent mixed signals on the viability of patenting gene therapy products. Although the industry has applied for a number of patents, few have been issued. There are controversies about the patenting of gene segments, and clearly this is a major concern for the sector," says

Financing is another hurdle. When biotechnology got under way in the 1970s and 1980s, Wall Street and venture capital groups were only too willing to finance start-ups. Gene therapy also appeared attrac-tive to investors about 18 months ago. The venture capital market has now almost dried up, though, and the uncertainty surrounding the Clinton administration's health reform programme is making it difficult for all pharmaceutical groups to raise capital.

Like hiotechnology groups in their early years, some gene ther-apy groups have turned to licensing agreements with larger pharmaceu-tical groups to obtain financing for research and development. Still, licensing may not be a solution for everyone. "We want to obtain financing, but we don't want to give away the store," says Stewart Par-ker, president of the gene therapy group Targeted Genetics.

Many observers see a number of parallels between the position of gene therapy today and the position of biotechnology groups 10 years ago. "A lot of gene therapy groups are where the Amgens and Gene-techs were in 1983," says Fernando Quezada, executive director of the Biotechnology Centre of Excellence in Boston

Despite the scientific and busi-ness similarities between the two fields, there is strangely little crossover. Biotechnology groups Biogen and Chiron say they are looking into gene therapy but the only group with any actual commitment to the new field is Genzyme.

"It may be that most biotechnology groups, which are facing a number of risks already, see gene therapy as an added uncertainty, says Smith. "We see it as an exciting opportunity."

As in the biotechnology industry the road to commercialisation will probably be riddled with potholes. but as the gene therapy industry matures, more believers are betting that the new approach will not only offer important medical edvances but generate profits as well.

### Telecoms gets in on high-wire act By Della Bradshaw

radio-controlled robot, looping along the power Lables between electricity pylons, is helping the UK's power distribution company, National Grid, to build a nationwide telephone network in record time.

Energis, the telecommunications arm of the National Grid, expects to offer a long-distance phone service to 76 per cent of the population of England and Wales by April next year, only 11 months after being awarded telecommunications licence. Energis does not have to dig

up the roads to lay the cable, nor get planning permission for lephone poles or ducts. Instead it is exploiting its investment in the electricity pylons - or "towers" as they are known in the trade - which span the country.

Fibre-optic cables, which will form the backbone of the new network, are being wound around the earth cable - also known as the ground wire - which is the cable looped from the top of the pylons. Heath Robinson-like machines which lash the fibres around the cables move at the rate of one metre per second, providing swiftest installation

Focas, part of the Cookson Group, which is the major supplier of the wrap-around fibre, is supplying similar systems to electricity generating companies as far affeld as Scotland and Hong Kong, the US and Scandinavia. They are being used by the carry their own internal communications or for services to sell on to customers.

Focas managing director Ray Grimwood believes it is the regulatory environment and the culture, not the technology, that is preventing other electricity suppliers from following suit. As well as providing rapid competition to monopoly phone companies, such systems could also provide phone services to any rural area with a power supply. Eastern European countries and China, for example could be big beneficiaries. **Electricity suppliers have three** technical options in choosing a

phone network to link in with

is to wrap the fibre round the

their electricity supply. The first

earth cable, which is a swift and relatively cheap option if the earth wire is new and will remain

in place for several years. If the earth wire is old and due to be replaced, power companies often prefer the second option: replacing the earth cable with one which incorporates the power wire and the phone wire in the same plastic sheath. Such system are also useful if the electricity company is extending its power network or in countries which lack both electricity and phone

The third option is to drape the optical fibre cables between the pylous. The simplicity of this scheme brings its own proble despite years of work on the technology by optical fibre companies. Energis, for example, rejected the self-supporting draped cable because it believed that the cable would be physically damaged if used in close conjunction with its high-capacity transmission lines.

Developing the wound cable was not easy either. Looped round the earth wire, the cable has to withstand ultra-violet radiation and snow. The earth wire is also designed to take lightning strikes when the temperature can rise in a flash to 200°C or 300°C. So Focas had to develop a specially cured cross linked polyethylene jacket to ensure that the weather does not affect services.

is present to

TELES ....

Today each fibre installed by Focas can carry 565Mbit/s of information – enough to allow, say, 8,000 simultaneous voice conversations, 8,000 pages of text a second and 10 colour video signals to be sent on a single pair

> Mr Sears, who will join SIB's legal division today, said that

> over the next two to three

years he hoped to build up

SIB's capacity to handle all but

the very largest cases in-

By moving to SIB he has given up the chance of high

future earnings as a partner in

a lucrative City law firm, but,

confessing to ambitions in the regulatory field, he said he had

never viewed law firm partner-

ship "as the be-all and end-

law having read natural sci-

ences at Jesus College, Cam-

bridge, qualifying as a solicitor

in 1967. Law, however, runs in the family. His father is a

judge in Hong Kong.

SIB poaches solicitor

The Securities and litigation, making him a natural choice, a former colleague

appointed Mr Guy Sears, a at Denton Hall said.

solicitor with City law firm

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rens, to the newly-created posi-

Civil litigation is a growing

part of SIB's enforcement

activities. There have been 46

cases in the last five years

involving injunctions, restitu-

The growing case load prompted SIB to develop the

capacity to handle the work in-house. Until now it has

relied on law firms such as

Denton Hall to do the litigation

tion of head of enforcement

#### **PEOPLE**

### Carter for CU

Tony Brend can take some pride in the fact that he will eave Commercial Union, the UK's biggest insurer, in a better state than when he took over the job of chief executive in 1986. CU had suffered consecutive years of losses when Brend was called in from the group's US subsidiary and it was regarded as the fallen star

of the industry.
Brend retires at the end of this year - just five months before his 60th birthday - with CU, widely recognised as the most successful of the UK insurance companies

John Carter, 55, (right) will take over the top joh. Carter, a mathematician and ectuary, has been an integral part of Brend's senior management team since 1987, along with Tony Wyand, finance director.

"We've been very pleased we have managed to make a change," says Brend, who says he will leave the "ship in good order". No change to CU's established strategy, which locuses heavily on increasing the size of life insurance business, is anticipated. Brend says he is "not ingrained with the City and its

business activities and will retire to the country, pursuing interests in military history and archaeology. He will also travel a good

deal, visiting Australia as well as the 18 countries "where he hasn't yet slept". With Brend planning a trip to the Baltic states in the summer, that number should soon

appointed director of WAR-

■ Crispian McCredie has been

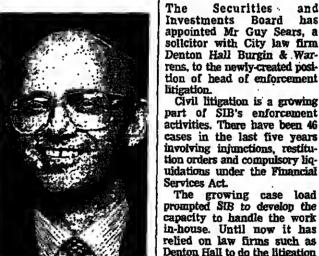
appointed as marketing director of SBC Portfolio Manage-

ment International Limited.

David Kerr and Sheens

Harding have been appointed

RIOR INTERNATIONAL



work for it. Mr Sears has done several cases for SIB and has considerable experience in insolvency

Services Act.

Sir Tom steps aside Sir Tom Cowie, (right) one of Britain's longest serving chairmen, is to call it a day. After 45 years as chairman of T Cowie, the Sunderland-based motor

the year and take the title of Sir Tom, who will turn 71 in September, founded his busi-ness around a motor cycle repair shop in Sunderland and the boardroom still stands on

dealer, Sir Tom has announced that he plans to step down from the board at the end of

the spot where Sir Tom once repaired motorcycles.

He brought his company to the stock market 30 years ago and it has grown into one of Britain's top four motor distributors, employing over 8,500 people, with a turnover in

Sir Tom only split his role in 1991, appointing Gordon Hodg-son, 61, as chief executive. It is unlikely that Hodgson will



the group is looking to appoint an independent non-executive iott of Morpeth, a former Con-

### Financial and insurance moves

■ Ken Lewis has been appointed director of the CO-OPERATIVE BANK, responsible for human resources, legal services, group property and

group quality.

E Stephan Collins has been appointed a senior vice-president of PARIBAS ASSET MAN-AGEMENT to cover northern European marketing out of London. He joins from UBS Phillips & Drew International Adrian Coates has been

directors of INTERCAPITAL COMMODITY SWAPS. ■ Nick Becker has been appointed by MINET as md of its marine energy division and a director of international

excess of £800m.

servative MP, is the company's only non-executive director and the intention is to recruit

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Service, and quote the code number at the bottom right-hand corner of those pages.



### Audit watchdog appointments anger councils

The latest two appointments to the Audit Commission have put noses out of joint among local authorities.

The two appointees - Sir Peter Kemp, formerly second permanent secretary at the Cabinet Office, and Ms Kate Jenkins, who was head of the prime minister's efficiency unit from 1986 to 1989 – have distin-

guished governmental careers behind them but neither has experience

The Labour-controlled Association of Metropolitan Authorities argued against the appointments when it was consulted. A spokesman said: "We are not happy about this. People with experience of local

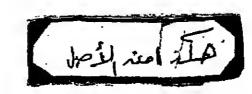
government are nnder-

represented."

The number of commissioners on the local government watchdog has recently heen enlarged to 18. However, only five have local experience, according to the AMA - the same number as in 1991, when there were 14 commissioners.

Both appointments are effec-

tive from today for a term of three years. They were made jointly by the environment sec-retary, Mr John Gummer, the Welsh secretary, Mr John Redwood, and the health secretary. Mrs Virginia Bottomley. Accountancy professions. employers' organisations and trade unions were also



RANKFURT is now the undisputed financial capital of Germany. Is it on the verge of becoming the financial capital of Europe? German financiers, industrilists and politicians hope that Frankfurt will be formally

anointed in this role sometime later this year, when European Community countries finally make up their collective mind where to locate the future European Central Bank But to a large extent, whether the new institution is

to be located in the city or not, Frankfurt already occupies the position of Europe's financial capital - because of the authority of the Bundesbank. Mit Beharrlichkeit - "with

ruthless determination and singlemindedness, as they say in Germany - the Bundesbank has fought a successful battle with inflation for decades. Hence its unmatched credibility in the financial world. Since last autumn, when the

Bundesbank's refusal to give way to widespread calls for cheaper money led to turmoil on international currency markets and to the partial break-up of the European exchange rate mechanism (ERM), that credibility bas

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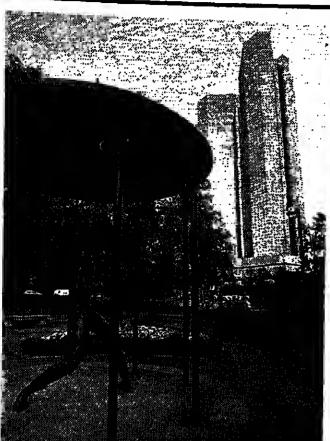
STATE OF STATE OF

Germany is wrestling with a deep recession. It is belatedly counting the cost of the 1990 reunification of the two halves of the country. Inflation is running at an annual rate of about 4 per cent; more than twice the central bank's target of 2 per cent, and higher than in many European countries with less discipline in such matters.

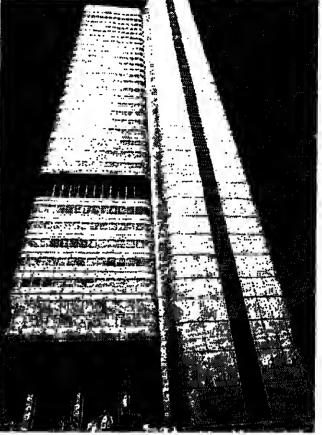
In late June the D-Mark hit a 15 month low against the US dollar and the French took the opportunity to cut their rates to below German levels (the first time in 26 years that the French have been able to do so). French government officials talk about the possibility of the franc displacing the D-Mark as the anchor currency for the ERM. So far this has not happened. De facto, European interest rates are still set by the members of the Bundesbank council at their meetings

on alternate Thursdays. Calls from the French economics ministry late last month for "co-ordinated talks" with Germany over easing monetary policy received short shrift from the Germans. Theo Walgel, the finance minister. politely reminded the French that the Bundesbank's independence was inviolable and cancelled a planned meeting with his French opposite num-

Although interest rates have eased since last autumn (the







## Determined to give a lead in Europe

Financial services have escaped recession so far: bank profits are up, the Bundesbank is steadfast against inflation and the private sector strengthens Germany as a financial centre. David Waller reports

last year to 7.25 per cent now, and is widely expected to be down to 5 or 6 per cent by the end of the year) there has been no great reversal of the huge flow of international money invested in the D-Mark in 1992-93. Economists calculate that foreign investors invested DM190bn in the D-Mark in the 14 months to the end of February this year, more than twice the level in 1991, the previous record year.

This inflow helped to propel a big rally in the price of German Bunds, where yields tumbled from over 9 per cent to a low point of 6.45 per cent in mid-April. Since then prices have dropped and the yield is back up at about 6.75 - but in spite of pessimistic forecasts, yields of 7 per cent or higher

have not yet come to pass.

The influx also helped the profits of the Frankfurt-based financial community. While the impetus to record profits last year at the large commercial banks came from growth in lending business, trading gains and commission income from securities business are the reason for double digit discount rate is down from a the reason for double digit bight of 8.75 per cent in July increases in the banks total

operating profits over the early tegic alliances among state-secmonths of the year.

This bas allowed banks to predict "satisfactory" earnings for the year as a whole, meaning that these blg financial conglomerates - along with construction companies count as one of the few sectors in the stricken German economy to be generating healthy profits growth at this point in the economic cycle. The bealthiness of banks'

profits is exaggerated by the fact that they do not disclose. their full exposure to bad and doubtful debts. Provisions are undoubtedly climbing - and will be revealed for the first time in some detail when the banks report their interim figmes later this summer... But whatever the true pic-ture of banks' earnings, they are not on the verge of the structural crisis afflicting Ger-

man manufacturing industry. Notwithstanding predictions of a shake-out in Germany's banking community, the only real consolidation is in the public sector, with the Düssel-dorf-based Westdeutsche Landesbank acting as catalyst to a series of mergers and new strator institutions.

The German financial services sector as a whole, which encompasses regional financial centres in cities such as Munich, Düsseldorf and Hamburg, has benefited from a series of recent measures designed to strengthen Finanzplatz Deutschland - Germany as a financial centre.

These include the creation of Deutsche Börse, the German stock exchange - from the beginning of this year. This has been put together on the initiative of the Frankfurt exchange, the biggest of the eight exchanges in Germany, where about 70 per cent of total German securities turnover is conducted.

The new body brings the Frankfurt Exchange and the DTB Dentsche Terminbörse (the German futures and options exchange) together under the same roof as the Deutscher Kassenverein settlements organisation. Some 40 tion is owned by regional (non-Frankfurt) banks and the seven regional stock exchanges

According to Rolf Breuer, the first chairman of the German Exchange, this gives Germany one of the most modern stockexchange structures in the world - the only exchange which brings equities and futures trading under the same roof as settlement services. The focus of future development will be on technology, to bring out the benefits of this structure; benefits which,

rather than actual at present. German financiers have laid heavy emphasis on technology. For example, they have spent tens of millions of D-Marks on the development of the screenbased DTB, founded only three

Breuer admits, are latent

and a half years ago, and on Ibis, a computerised share-deal-ing service for leading equity and fixed interest issues.

Since the service was introduced, in April 1991, this has become the second biggest exchange in Germany, accounting for 30 per cent of trade in leading German shares. According to Mr Rüdiger von Rosen, the outgoing chief executive of the Frankfurt Stock Exchange, Ibis has also succeeded in pulling back a significant amount of business in German shares from

London to Germany. But in the battle with other financial centres, German financiers recognise that the regulatory environment must

be improved.
On the one hand this means a tightening of regulation. Next year Germany will finally get legislation which will make insider dealing a criminal offence, and create the German equivalent of the Securities & Exchange Commission, the body which regulates the US securitles industry.

Calls for these measures have intensified since union chief Franz Steinkühler was forced to resign as bead of IG Metall after be bought DMIm shares in a Daimler holding company shortly before the sbares enjoyed a sharp increase in value.

He has denied insider dealing based on information gleaned from his former posi-tion as member of the Daimler supervisory board. But the affair highlighted the absence of law forbidding the practice.

On the other hand, Fin-anzplatz Deutschland is clamouring for deregulation which will allow its institutions to compete more vigorously with their rivals in London or Lux-emburg. The chief complaint is against minimum reserve requirements, which oblige banks to lodge funds with the Bundesbank whenever they take a deposit, making it difficult for them to compete with banks based where such reserves are not required.

The Bundesbank obligingly halved the requirement earlier in February this year. It may do away with the requirements altogether after Mr Hans Tietmeyer succeeds Mr Helmut Schlesinger as president of the central bank on October 1.

Christopher Parkes notes a friction-free transition at the Bundesbank

## Team strategy unchanged

HE substitutes are warming up and will be on the field soon. One thing is certain: when they take over this autumn, team strategy will remain mchanged. As for tactics - that depends on the pressure from the opponents.

The recent confirmation of Mr Hans Fletmeyer as the next president of the Bundesbank and the nomination of Mr Johann Wilhelm Gaddum as his number two ensures a friction-free transition at the top of Europe's most influential central bank and a seamless continuation of the central bank's rigorous policy.

Mr Tietmeyer, it is said, differs only

from his predecessor Mr Helmut Schles-inger in that he prefers to take the lift rather than walk up the 12 floors to his Frankfurt office. On the issues that matter the stability of the D-Mark and the credibility of the Bundesbank - he could be a Schlesinger clone.

Mr Gaddum, his dry, low-profile vice-president, is more of an unknown. But in his current job in the Bundesbank directorate, in charge of money and credit, he has proved himself a skilled monetary manager – equally dedicated to the issues that matter.

Mr Gaddum's department bas been miniy responsible over past months for engineering the application of the Bund-calank's interest rates policy, comprising a series of sporadic small steps downds (what Mr Otmar Issing, Mr Gaddon,'s directorate colleague, recently called "dribbling"). Mr Gaddum was also the prime mover behind the bank's decition to reduce minimum reserve requiremonts under which banks were obliged to deposit up to 12 per cent of their customer deposits, interest-free, with the central bank. He himself said the move would bein German banks' competitiveness. Others described the changes as a "tremen-DOOS" hoost

Outsiders are somewhat more reserved about his management of interest rates. In most of the moves this year so far, Mr Gaddum's team bas first steered down one-term money market rates, by meticuous fine-tuning of the rates at which the desbank supplies funds to commercial walks. This has opened up scope for the ank to execute judicious reductions in the internationally-important short-term discount and lombard rates. The process been vociferously supported by his blesgues, who continually point out that Oper cent of German borrowings are tied the long-term rates.



Unconvinced foreign politicians and industrialists have pleaded in vain for bigger, more frequent cuts on the basis that a German lead will allow reductions elsewhere which in turn will help fuel recovery from recession. Appeals from within Germany, where the Bundesbank is viewed as the country's most trustwor-thy institution, have been relatively few.

Taken to task on its "international obligations" the bank presented a united, stubborn front. Lower interest rates were not the only or the most effective way to help recovery, it said. For lasting growth and lasting stability, each country had first to put its own bouse in order -

Germany in particular. In paraphrase: instead of concentrating on rising insolvencies and unemployment and falling company profits, politicians should consider the deeper symptoms of malaise. Most of all the bank denounces runaway public sector deficits which "crowd out" potential private sector investors from capital markets.

The Bundesbank was particularly angered by the German government's first attempt at producing a so-called solidarity pact. From a design draft for a package of spending cuts which was intended to belp Germany fund recovery in the east, the Bonn government, in cahoots with the opposition, employers and unions, concocted a range of new taxes and levies which will cost individuals and companies the equivalent of 2 per

cent of gross domestic product a year. The bank, acknowledging the political will which had gone into generating the agreement, reacted with admirable restraint. Chancellor Helmnt Kohl bad

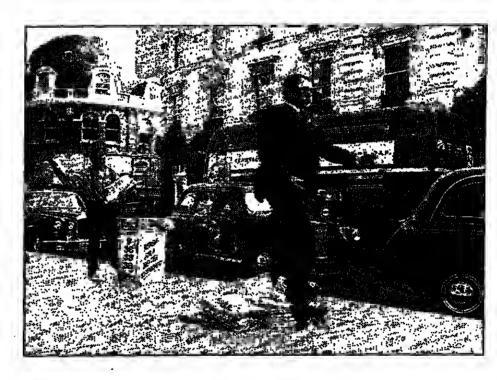
made important political gains, but be had ignored Frankfurt's persistent warnings that spending cnts had to come before tax rises.

When it became clear, in late spring, that the holes in the federal budgets were too big to be filled by the proposed tax increases (an estimated DM100bn of savings was required until the end of 1996), the bank had had enough. It stopped "dribbling" with interest rates and resumed vigorous campaigning for real cuts. Ostensibly addressing the world at large, but clearly berating the Bonn government, Mr Schlesinger and his colleagues pulled no punches. They propos that unemployment pay should be reduced and suggested that countries building up their social welfare systems should slow the process and consider whether they were on the right track.

In response to calls for public spending programmes to promote growth, Mr Issing suggested the proponents should stop trying to fool themselves into believing that such projects created anything more than a flash in the pan. All that was left after the flash, he said, was a residue of debt which had to be serviced. It would be far better to stop subsidising "dying" industries: steel, shipbuilding and agriculture for a start.

The Bundesbank seldom uses such direct language, but its temper has been tested by critics at home in Germany who seem to suggest that it should abandon. temporarily at least, the policies which, for 30 years and more, have helped keep German inflation and unemployment lower than almost anywhere else in the industrialised world.

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#### couple of anecdotes give a flavour of the deep divide hetween the Anglo-American style of capitalism and the Germanic

approach. First, a British magazine reports that the newlyanointed chief executive of a hig German bank spilt some Blütwurst sausage on his new shirt just before an important engagement. The report, far from being laughed off, becomes the subject of debate at the bank's next board meeting. How dare Anglo-Sazon journalists write about such an important personage in this way? The bank contemplates cutting back its - already min-imal - contact with the international press still further.

Next, the finance director of Daimler-Benz, Germany's largest company, casually tells this writer what the group's profit figures are going to be this

The banker's sensitivity to the Blütwurst story, in the first example, highlights more than mere lack of sense of humour. It reflects the tendency of senior German management to be removed from criticism of any kind - not just about their eating habits but also their financial perfor-

In the second, the willingness to let slip highly sensitive information is indicative of a cavalier approach to the mass of shareholders. It can be taken for granted that Germany's big banks and insurance compa-

### David Waller studies Germany's corporate style

### Shareholders on sidelines

in numerous large German do not like the personal publiccompanies - know the figures long before they slip out in the interviews and presentations. Other, shareholders are not so

But there is no point in becoming morally indignant about the way corporate Germany works. The stock market simply does not have the importance for the German economy, and for German companies that it does for the economy and companies in other countries - with profound consequences for the way companies are managed.

While the German economy accounts for 25 per cent of the European Community's GNP and 24 per cent of its population, the market capitalisation is only 16 per cent of the European total. There are only 665 companies on the German market; at the end of last year they ware capitalised at about \$333bn, accounting for 18.6 per cent of Germany's GNP. In the US, the market accounts for 66.4 per cent of GNP, in Japan 62 per cent and in the UK

nearly 99 per cent. German entrepreneurs prefer not to come to the stock-market. They are averse to becoming the slaves of short-term profits expectations - and they

ity which comes from having a stock-market listing. When a business reaches the point where an infusion of external equity capital would help it grow, it often decides not to grow any further. Or it sells itself to one of Germany's many family-controlled industrial holdings groups.

Entrepreneurs who do seek a market listing make sure that

banks and insurance companies which dominate German supervisory boards. The yardstick hy which management performance is measured is not published profits: the supervisory board will have access to internal measures of profit performance. There are other criteria, too, by which the success of a company will be judged: for example, capital expendi-

There is little need for management to justify its actions to the broad cross-section of shareholders - except perhaps at ritualised events such as the annual press conference or at a meeting of shareholders.

control stays with management rather than the market. A typical move would be to list only 25 per cent of the share

Even much bigger companies try to make sure that control does not pass away from a few friendly (usually German institutions) to the equity market as a whole. There is an emphasis on "shareholder stability" – that is arranging matters so that there is no possibility of management becoming unsettled via unfriendly takeovers. Pressure on management to

events such as the annual press conference or meeting of shareholders. Communications policy at

ome of Germany's larger

listed companies is changing.

ture; growth in turnover; con-

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The debate ovar manage-

behind closed doors. There is little need for management to

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ent performance takes place

ness to the environment.

"shareholder value" are terms increasingly bandied about hy hy senior German managers. Partly this is lip-service - but it does reflect a growing readiness to take the interests of foreign institutional shareholders seriously.

These investors own between 40 and 50 per cent of the small free-float on the German stockmarket, and a high percentage of shares in some large, individual companies. As yet they are not represented on the supervisory boards of the companies that they partially own. This means that their interests perhaps not protected at heart of the German system of corporate governance; but then few, if any, Anglo-American investors would be willing to make the long-term commitment to a company implicit in taking a

supervisory board role. Despite this lack of formal representation, there are signs a gradual convergence between the Anglo-American way of doing things (where the shareholder comes first) and the German way (where the interests of ordinary shareholder have tended to come close to the bottom of the pile of management priorities).

This is brought on by two linked factors: the German recession and the likelihood that German companies will need to tap international equity markets for capital.

The recession is making managers realise the importance of making money as well as generating sales. Restructuring is generating a need for capital which cannot be met from cash flows as in the past. The capital is not so readily available from the increasingly cautious banking community and public sector borrowing requirements are likely to keep up the cost of borrowing over

the rest of this decade. The source of capital at the margin is tha international fund manager; companies will have to adapt themselves to meet his or her wishes if that

capital is to be forthcoming. Talk about shareholder value is a symptom of this. More telling is Daimler-Benz's decision to seek a listing on the New York stock exchange. This will require the company to be more forthcoming with sensitive financial information than in the past and will expose it more closely to the criticisms of Anglo-American investors. In return Daimler will be able to raise equity capital more cheaply and more widely than

As yet, other German compa nies have yet to follow suit, but Gerhard Liener, Dalmler's finance director, predicts that other big German companies will be obliged to make the Frankfurt's stock exchange

### Technology is the weapon against London

ONDON'S spectacular failure to develop its Taurus settlement system has brought cheer to the hearts of Frankfurt financiers eager to challenge London's primacy as Europe's leading financial centre.

The reason is that London's failure to devise an electronic way of "dematerialising" share settlement has highlighted what German financiers believe to be the Frankfurt financial markets' superior technological edge

While the German securities narkets have suffered under a number of competitive disadvantages – such as a strict regulatory regime which has discouraged financial innovation and a lack of investor-oriented supervision - technology bas een a central weapon in the battle with London.

An electronic system is more advanced than one where brokers shout and wave their arms about

The aim of the campaign has en to win back market share in German securities - in equities, bonds and derivatives from London to Germany.

These efforts will be intensified further with the future evelopment of the Deutsche Börse AG, Germany's unified stock-exchange structure, which came into being at the beginning of the year.

There are two important areas in which Germany's financial institutions have invested heavily in technol-The Deutsche Terminbörse

(DTB), a fully-screen based trading system for future and This has existed for only three and a half years, but in

that time has mounted a vigorous challenge to Liffe, London's open-outcry derivatives market, Europe's largest. The total number of contracts handled by DTB climbed from 6.8m in 1990 to 34.8m

last year (confounding critics who said that a screen-baser system would not function in hectic market conditions). It has 79 member institutions - about 40 per cent of these are non-German - and it is expanding beyond Germany

link up with Matif, Its French equivalent. A fully elect more technologically advanced than one where brokers shout and wave their arms about

with a recent agreement to

amid an avalanche of paper, as But having the technological edge has not necessarily given the DTR the business advan-tage: in May this year 70 per cent of the business in the crucial Bund future is still done in London rather than over

This worries German financiers, because it is likely that much of the business in 10year German government securities is also done in Lon-

But the DTB struck back with a medium-term government bond future (the Bool). The DTB dominates this market, with a share of 80 per cent, although Liffe introduced a competing product in January this year.

• It has always been somewhat irksome to German financiers that London, a centre for international equity trading as well as for UK equities, should have captured much of the business in German shares via the Seaq International price display system, which requires a telephone call to execute an order. One reason why fund managers may have been driven to

blue-chip German stocks via London rather than Germany is because of the lack of securities-market supervision in Germany. Another was the fragmentation of liquidity and visibility between the eight exchanges now merged into the new Deutsche Börse struc-

Technology alone could not overcome these obstacles which are being dealt with but the introduction of the Ibis screen dealing system for Germany's leading share and bond issues in April 1991 has succeeded in pulling back business from London.

London's share of business in Germany's 30 leading shares has dropped from 14 per cent in 1989 to 10.25 per cent last year, says Mr Rūdiger von Rosen, chief executive of the Deutsche Börse, citing Bank of England statistics. He attributes this success to the Ibis system, which within Germany now has a 44 per cent market share of turnover in the leading shares, more than twice the level only a year ago. Last summer, it appeared

that Ibis would not be the last word in the development of electronic trading systems for the German securities markets. Details of a study commissloned by the Frankfurt stock exchange leaked ont. suggesting that during the 1990s Germany would move to a fully paperless system for equity trading.

The report, conducted by the McKinsey consulting firm. proved too radical. Floor-based trading systems

are to remain, assisted by chnological innovations such as the recently introduced. so-called, Boss-Cube order-routeing system, which has been designed to eliminate the paper flow associated with a share order. .

But the new Dentsche Börse is to be used to develop a "onestop" shop for the purchase of equities, bonds and derivatives, together with settlement services. It can only be brought about by further advances in technology.

This was made clear by Mr

The Germans are pleased that they do not have to develop a dematerialised share transfer system

Rolf Breuer, chairman of the securities at Deutsche Bank, when he used his influence to appoint a successor to Mr von sen as chief executive.

Von Rosen, a former head of public relations at the Bundesbank, is to be replaced later this year by Mr Werner Sei-fert, a Swiss citizen who is now head of Swiss Re's primary insurance business. Unții 1987 Mr Siefert was a partner at McKinsey. His background in technology and finance is thought to be the decisive factor behind his

appointment. The organisation which he will head up from next August this year is a holding structure which brings the Frankfurt stock exchange, Germany's largest, under the same roof as the DTB and the Deutscher Kassenverein, the German set tlement system.

Whatever advances are yet to be made, the Germans are pleased that they do not have to follow London's example and develop a dematerialised share transfer system - they have this in the Kassenverein

It offers settlement within 48 hours - and if the order is put in early enough, within the sama trading day.

David Waller

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#### GERMAN BANKING AND FINANCE 3

R Ulrich Cartellieri, a board director at the Deutsche Bank, is fond of arguing that the banking sector in Germany is potentially the steel industry of the 1990s.

The thrust of his argument is that there are too many credit institutions in Germany (4,453 at the end of 1991 - the latest figure provided by the Bundesbank), and that this number must shrink over the course of the decade amid a restructuring as drastic as that which has afflicted the European steel industry.

As yet, however, there is very little evidence of his prediction coming true. On the contrary, judging by the robust profits still being generated by the larger, quoted German banks, the banking sector seems to be an island of prosperity amid the deepening gloom of Germany's worst recession since the war.

Germany's bigger banks all enjoyed e record year last year. The top five quoted institutions posted annual increases in total operating profits ranging from 7 per cent at Deutsche Bank (the biggest) to 21 per cent et Commerzbank and 38 per cent at the Bayerische Vereinsbank.

Moreover, operating profits do not appear to have run out of momentum during the current year. Deutsche Bank reported that total operating profits rose by "a good 20 per cent" in the first four months of 1993; Dresdner Bank (the second biggest in Germany) bas reported that profits increased by 15 per cent over the same period and Commerzbank said that they climbed by more than e quarter in the period from January to March.

The performance has been recognised by investors: the hanking sector (axcluding Deutsche Bank) outperformed the German stock-market as a whole by more than 17 per cent; Deutsche outperformed the market by 5 per cent (reflecting the higher rating normally accorded to the bank by stors). But how long can it continue? Mr Peter Pietsch, an economist at the

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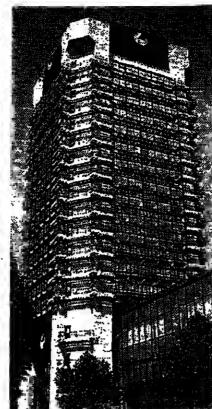
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Commerzbank in Frankfurt, observes: The increase in profits to record levels over the past two years reflects a steep rise in the demand for credit - total bank lending to non-banks excluding treasury bill credits grew by DM240bn last year - 8 per cent - with e much higher rate of growth in medium and long-term credits.

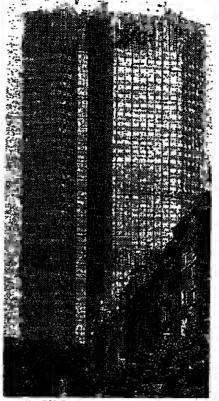
Although demand for funds has reduced with the onset of tougher conditions in the economy, it is still "brisk," says Pietsch. with DM10.6bn of new credits granted in February.



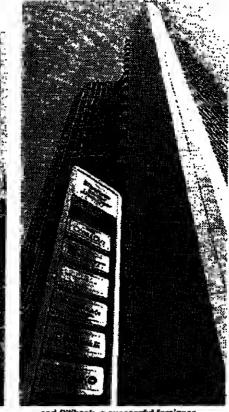
Big banks in Frankfurt: Dresdner Bank . . .



.... the DG Bank headquarters ....



.... the BfG Bank....



David Waller reports that recession has not yet affected the prosperous banking sector

## 'Lean-banking' is the buzz word

David Waller profiles BHF's banking operations

This reflects a number of factors, includ-ing lower interest rates and the continued availability of government subsidies to help finance investment in eastern Germany. Another consideration is that increased public sector borrowing is pick-ing up the slack created by reduced and for funds from private companies. Much of the increase in banks' total profits in the early months of this year

reflect huoyant equity and bund markets.
The DAX index of 30 leading shares climbed sharply in the early part of the year and last year's bund rally through to the middle of April, with yields on the 10-year Bund dropping to under 6.5 per last year. This benefited the banks on two counts: they increased their fee income via providing securities-related services to their clients, and they made profits for themselves via own-account dealings.

These factors help explain the growth in operating profits in the past, and provide some comfort for the outlook for the rest of the year. But to e large extent, as Pietsch readily admits, the operating profits provide an unrealistically positive picture of the German banking sector's prosperity - because they are calculated before provisions for bad and doubtful debts. It is understandable et a time of deepen-

ruptcies has risen sharply, that the banks have been increasing their provisions. By just how much is not clear: the banks do not disclose the figure - although they will begin to do so later this summer. when they release their full figures for the first six months of the year.

Analysts bave already been ebla to make a guess at the scale of provisions, following hints dropped by the banks' chief executives at recent press conferences. Goldman Sachs, for example, calculates that provisions against domestic credit risk doubled in 1992 to roughly 1 per cent of total lending.

in provisions to cover loans to small and medium-sized businesses. Deutsche Bank disclosed that nearly three quarters of its provisions were against loans for less than DM10m, mainly in manufecturing.

Mr Ian McEwen, European bank analyst et Merrill Lynch, has studied the numbers and come to the conclusion that net provisions as a proportion of operating profits range from 43 per cent et Deutsche Bank to 64 per cent at Dresdner Bank and a massive 95 per cent et Commerzbank. McEwen says thet in the light of the

banks' poor disclosure policies these calculations are "subject to considerable uncer-

tainty." But be argues that the truth about bank profitability is startling - only Deut-sche, of the big three banks, has a comfortable relationship between the net provisioning and the level of profits.

"This means that the boom years for the German banks have already ended," says McEwen; but this has yet to feed through to the bottom line.

He predicts that strong lending and buoyant markets will enable the banks to post further gains in operating profits this year. Next year, however, he expects opereting profits to fall by 10 to 15 per cent although these figures will not be dis-closed until well into 1995. By then, the bad debts situation will have deteriorated still further.

Pietsch, at Commerzbank, is adamant that by international standards the German banking sector will continua to look relatively strong. "We don't have all the dramatic developments here in Germany that have afflicted the banking sector in the US or Japan," he says. "Although there is a downturn in the property sector, for example, there is no structural crisis.

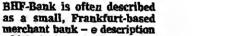
"Of course industry is weak in Germany. but total industries are not vanishing as they have in the US. Perbeps the only really dramatic developments are in the machine tool sector - in the motor industry, by contrast, we are experiencing a cyclical downturn rather than catastro-

Moreover, Germany is not facing a savings and loans crisis of the kind experienced in the US - nor do the banks have to deal with the aftermath of imprudent leoding to finance bighly leveraged takeover transactions.

But, perhaps in recognition that more difficult times are head, the buzz word in the German financial services sector at present is "lean-banking": after a period of years in which costs have risen sharply, banks are beginning to take more care of

cost management. This can mean reducing staff levels: Commerzbank, for example, plans to reduce its staff levels by 1,000 from 30,000 by the end of next year.

It has recently denied reports that it is planning to lay off twice as many people as part of e slimming-down of its Frankfurt head office. That e review of bead office costs is underwey is no secret; the Mckinsey consulting firm has prepared a report on the issue, and the Commerzbank board will decide on rationalisation measures at the end of July.



BHF is not that small: with last year it ranks as Germany's eighth largest private

its senior partner, concedes, it is not e merchant bank in the

earnings comes from commercial lending. Furthermore, BHF may be based in Frankfurt, but with about 60 per cent of lending going to international custom-

"In fact," Mr Strutz says, we are one of e kind, very different from other German

as a small, Frankfurt-based merchant bank - e description which is in some ways mis-

ssets of DM54bn et the end of sector bank. And as Mr Wolfgang Strutz,

English sense of the term.
It is highly active in mergers and acquisitions advice and other fee-earning husiness, but the lion's share of its

to have the international business profile of any German bank.

Tuned to the single market

financial lustitutions. This begins with our legal structure - six general partners are personally liable for the bank's entire business - and extends to the type of business we pur-

Like other large German institutions we are a universal bank, in that we combine a large range of financial services under one roof; but we don't do everything that a universal bank could do. We avoid small retail cus-

margin volu ess. Uur target clients are bustnesses with turnover of DM100m or more and high net worth indi-

tomers and steer clear of low-

viduals." The bank has bad shove national corporate finance

average growth in profits over the last 10 years, is represented in 12 German cities and had branches or subsidiaries in the world's big floancial and industrial centres.

Mr Strutz seys that the hank's aim is to concentrate on four main bustness areas: treasury activities, with currency trading operations in New York, London, Tokyo and Frankfurt; commercial lending; asset management, concentrating on the core markets of Germany, Switzerland and

BHF has taken two important strategic steps since the beginning of this year, with the aim of bolstering its interactivities and its domestic long-term finance to small and lending business. First, together with its French associate Credit Commercial de France, BHF will pay £235m to buy a 90 per cent

stake in Charterhouse, e Lon-

don-based merchant bank. Second, it forged a domestic co-operation agreement with IKB Deutsche Industriekreditbank, a Düsseldorf-based bank which specialises in providing

medium-sized busines The agreement is underpin-

ned by a share exchange under which BHF took a 10 per cent stake in IKB, while IKB bought 3.5 per cent of BHF's shares. Together the two institutions have total business volume of DM100bn

The acquisition of Charterbouse is the more ambitious of the two moves, representing a

determined attempt to build np a pan-European corporate finance group.

We are convinced that as the process of European union gathers pace, cross-border mergers and acquisitions will become more important than ever before," Mr Strutz says, explaining the rationele

behind the move. "As medium-sized companies gear up to face the realities of e single market they will face a growing need to seek external sources of capi-tal and will be increasingly obliged to seek third-party s-border financial advice.

"We decided that the best way to tackle the market was not by setting up our own subsidiary or taking a passive financial investment - but to make an ontright purchase.

"Either of us (BHF or CCF) could have done the deal on our own," says Mr Strutz, "bnt this would have done no more than bring one institution's home market into the equation. The way we have done It creates something unusual - a trilogy of corporate finance operations ln Londoo, Paris and Frankfurt."

The aim is to make the services of this triple alliance available to BHF's domestic clieot base - and also to the 8,000 medium-sized companies which are clients of IKB.

Insurance is learning to live with EC directives, writes Trevor Petch

### Need to respond faster

on life and non-life insurance in July 1994 will represent a watershed for the German insurance industry. Since the 19th century the authorities have regulated the market hy detailed supervision of policy terms and premium rates rather than the monitoring of insurers' financial condition.

... the BHF is in Frankfurt, too

"As Brussels has opted for another market model, much closer to that of the UK, we believe that we have to live with the consequences," says Dr Bernd Michaels, chairman of the German Insurers' Assoclation (GDV). "The task is now to ensure that the directives are transformed into German law in such e way that its insurers have e fair chance to compete," he adds.

All leading German insurers share the view that hig changes will ensue, particularly in personal lines business. "We are talking about a different game," says Dr Henning Schulte-Noelle, chief executive of market leader Alhanz. Companies will be forced to

pay much more attention to policy development, particularly in life insurance, and respond more rapidly to innovation as both they and new market entrants are freed from the tight restriction of the supervisory office in Berlin.

For the first time in German insurance history underwriting of private customer husiness will have to be creative," says Mr Claas Kleyboldt, chairman of Colonia Konzem, holding company of the Colonia and Nordstern insurance groups.

At the same time, customers will be faced with more choice and more difficult decisions. Both Dr Schulte-Noelle and Mr Kleyboldt see an increased role for the insurance companies' agents, who dominate distribution in Germany. The industry recognises that the agents' new role is something more than

simply a sales function and will require more training, but it is determined to maintain control over this itself.

Germany currently has almost no control over the insurance sales process, relying on close regulation of the insurers and on their own image-consciousness. Nevertheless, in recent years there has been increasing concern over dubious practices, particularly by some of the growing number of independent sales companies and in the new states in eastern Germany.

An increase in price competition is also regarded as inevita-ble, with equally far-reaching implications. Dr Knut Hohlfeld, president of the Insurance

Mutual insurers already have the ability to increase premiums at any time, by member-

ship vote. Fewer changes are predicted in industrial lines. These are already open to the single market hut with little effect on the traditional links between German industry and German insurers. Part of the reason, eccording to Dr Michaels, is that policies were already of international standard and prices had become so low that few outsiders were interested

in competing for business. Industrial, fire, and loss of profit lines have suffered heavy losses. Since 1991 Ger-

man insurers have finally begun to demand premium

Car thefts - many for export to eastern Europe - together with losses from eastern Germany. have led to heavy losses on motor insurance

Supervisory Offica, acknowledged in an interview in February that German insurers had been cross-subsidising low commercial insurance rates with profits from private customer business, an allegation which the industry itself consistently denies.

Nevertheless, with a view to the future after 1994, Mr Kleyboldt comments: "I personally think that the best thing that could have happened was the disaster in comprehensive motor insurance this year and last." Increasing car thefts many for export to eastern Europe - together with losses from eastern Germany, have led to heavy losses on motor

insurance. In response, insurers have set restrictions on the cover offered. They have also pressed for rate increases, requesting between 10 per cent and 20 per cent this year.

Companies are also seeking the right to increase premium rates during the life of the pol-icy - which is generally long European standards. tives, and the trend can be Times newsletter

increases, which have risen by 30 per cent to 40 per cent. In the past, big industrial conglomerates have been able to demand cheap cover and very small deductibles, while using so-called in-bouse insurance brokars to earn a profitable commission.

Insurers are now demanding increases at time when their clients are under severe financial pressures of other kinds, As a result, in the longer term there may be important changes in how German companies insure. Already some are trading off increased deductibles against a smaller increase in premium rates.

German industry has also been relatively insulated from the increasing use of captive insurers and other self-funding mechanisms. In the UK, the US and Sweden, half of all cover for big industry is carried out like this this The Customs House Dock financial services centre in Dublin has been a particular beneficiary of the increase in German-owned capAnother effect of these

changes is increased attention to reducing edministretive expenses, partly to counterbalance rising claims costs. Dr Schulte-Noelle also drews an explicit connection with increasing price competition for personal customer husiness, as well as the pressure exerted on cost ratios hy the development of new business and, especially, supporting the new market in eastern Germany.

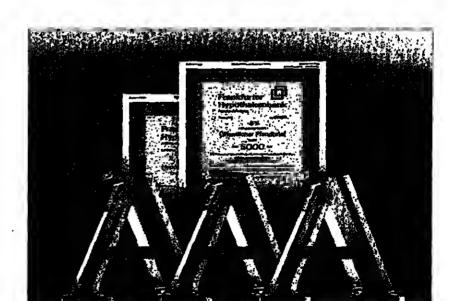
Attemnts to win market share from Allianz's local subsidiary, Deutsche Versicherungs, the successor to the former state monopoly insurer has generated heavy losses for some insurers which marketed policies et a heavy discount.

Germany has successfully demanded from the EC special dispensations to maintain its traditional insurance account ing procedures. The lowest value principle (which enables German insurers and relnsurers to build up large hidden capital reserves in addition to the compulsory but tax-ellicient special reserves against fluctuations in underwriting results) will be maintained. So will the ban on discounting loss reserves.

Together these "have led to the high safety margin we bave had in Germany for decades." Dr Michaels says. The insurance accounting directive will force German insurers to disclose the market value of their assets, but is expected to delay implementation of this directive for as long as possible - probably to the end of the decade. Such disclosure could lead to a kind of rating or competition between insurers over the level of hidden reserves. Dr Michaels thinks that this would be to the industry's disadvantage.

Trevor Petch is editor of World Insurance Report, the Financial

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BAHRIVING

## Likely to be a long haul

lished throughout eastern Germany. But the expansion of these services depends on two factors: the extent to which the economy of the five new states will start growing, and the resolution of outstanding property rights.

Western Germany's big banks, and the private banking sector, moved quickly into eastern Germany in late 1990.

The expectations at that time were high, but they were short-lived. Eastern Germans rushed to spend west German marks exchanged for the largely worthless ost mark. But the consumer boom ended over a year ago. The east Germans are now beginning to save. However, what banks want to see is the expansion of the market - and that is not yet happening.

There are two reasons why the market is not growing as fast as it should. First, eastern Germany's exports were dependent on the former Soviet Union and the countries of eastern Europe. Monetary union meant that these countries could not afford to pay hard currency prices for stern German products.

In turn, eastern German products could not compete on western markets, in short, any western German or foreign investor who decides to locate in eastern Germany now does so with the expectation of a long

No banker or investor expects to make quick returns - with the exception, perhaps, of the construction industry.

N the last working day

Germany's second larg-

of 1992, shareholders in

est insurance group approved

the sale of Germany's sixth largest bank to Crédit Lyon-

nais, the large state-sector

The timing of the deal was

charged with symbolism:

shareholders in Aachener und

Muncbener Beteiligungs (AMB), the second biggest

insurance group in Germany

after the Alllanz colossus,

approved the sale of a major-

lty stake in BfG Bank to the

French institution on the very

eve of the formal opening of

This DM1.9hn transaction

was linked with a second

related deal, bringing AMB

into a formal co-operation

agreement with Assurances

large French insurance com-

pany. This brought the man-

agement of AGF on to the

board of AMB, allowing it to exercise full control over a 25

Générales de France (AGF), a

the single European market.

INANCIAL services, from banking . This is a common view shared by the to insurance, are now firmly established throughout controlly and medium sized companies which are now setting up subsidiary companies in eastern Germany, and which formed the backbone of Germany's post-war development. Each mittelstand manager in eastern Germany has his or her own tale to tell. But all agree that these new companies have to find new markets - markets which are concentrated on the local region. High labour and transport costs, as well as low productivity, means that the. mittelstand in eastern Germany cannot expect any advantages with regard to competitive labour costs.

These small companies cannot cluster around large industry in eastern Germany. simply because this heavy industry and manufacturing base no longer exists,"

Neither the banks nor the fledgling mittelstand in eastern Germany can expect quick returns

explains Mr Georg Krupp, a member of Deutsche Bank's board and a specialist on the mittelstond in eastern Germany. "These companies have to start from scratch. The memory and spirit of the entrepreneurial culture in eastern Germany has to be recreated." he adds.

This means that neither the banks nor the fledgling mittelstand in eastern Germany can expect quick returns on investoriented towards the very long term,

The growth of financial services in the region will also be dependent on the levels of unemployment. Real unemployment including part-time work and job creation schemes - now accounts for between 30 and 35 per cent of the labour force.

This figure could increase with job guarantee contracts agreed between the Treahand, the agency charged with privatising eastern German industry, and those who bought firms from the agency end. The Treuhand has managed to secure 1.4m job places. An increasing reduction in consumer spending will have an impact on financial services.

Another problem which dogs the eastern German economy: property rights.

The unification treaty stipulates that any property seized by the Nazis between 1935 and 1945 can be reclaimed, or its original owners can seek compensation. The same rights apply to those whose property was seized by the communists after 1949, until 1990. But those whose land was expropriated by the Russians occupying eastern Germany in 1945-1949 can only seek limited compensation.

Although the government has now made it easier for investors to purchase property provided they are committed to creating jobs and investment - sorting out who owns what, and what level of compensation the original owners should be . granted, has delayed both western German



A delighted east German demonstrates the 1-1 currency union granted by Bonn in 1990, following the unification of east and west Germany

and foreign investment in eastern Ger-

In eastern Germany there are over 1m claims involving more than 2m items of property - from houses and small shops to factories and tracts of land. In Berlin alone there are over 114,000 outstanding claims. In Leipzig, a thriving city in the southern eastern state of Saxony, the authorities have yet to process over 26,000 claims.

Claims take time. In some cases the relatives or heirs cannot be contacted. Even if they can be found, and all the relevant documents are presented to the property rights offices in each city, constant disputes over the levels of compensation take

place. There is also the emotional problem of reclaiming property in which some families have lived for decades. Efforts have been made to protect the rights of the latter, particularly if they acquired the property in good faith. But nevertheless. justice ministry officials in the eastern German states say that the whole question of property rights has slowed down invest-

"It is too late now. But we should have decided on one or the other - compensation or restitution. The law has pleased no one. But when it comes to property, I wonder whether any other decision would have pleased everybody," a senior justice ministry official said recently.

Outstanding property rights are expected to be resolved in about 10 years. But western German investors, bankers, and the business community agree that it will take at least 10 years for eastern Germany to create an infrastructure and an environ ment which will allow it to compete within the whole of Germany and the European Community.

"No matter what sector of the economy you talk about, wa have to look to the long term. There is no such thing as a quick buck now in eastern Germany. It will be a long hard slog," says Deutsche Bank's Mr

David Waller reviews Franco-German financial relations

Cross border deals blossom

alliances forged between German and French financial

institutions during the past year. Companies from the two neighbouring countries have been taking steps to make the single market a practical real-

per cent stake in AMB - accu-

mulated against the initial

These two related deals were part of a series of cross-border

ny's management

completed a co-operation agreement with Banque Nationale de Paris,

Dresdner Bank has

Three further examples of Dresdner Bank - Germany's second biggest bank - which has completed a co-operation

ionale de Paris. The contract, which will be sealed with a 10-per cent cross-

ement with Banque Nat-

is privatised according to plan, provides for detailed co-opera-

tion in a number of areas. The two banks will make use of each others' home coun-

They will pursue expansion into third countries jointly and thay have already formed ioint banks in Hungary and Czechoslovakia. Although contractual agree-

nents of this sort are haunted by the memory of the failure of a similar agreement between Crédit Lyonnais and Commerzhank, both parties are convinced that they have worked out the scope of the co-operation to the smallest detail - and that the agreement is the best way for both

to expand beyond their home markets.

• The Dentsche Terminbörse (DTB) - Germany's thriving electronic futures and options exchange - is working with Matif, the French derivatives exchange, on an ambitious plan to link their markets. Under the agreement, meinbers of the two exchanges will be able to trade each other's products. Matif will also gain access to the DTB's screen-

based dealing technology. BHF-Bank, a Frankfurtbased institution which likes to call itself the "German merchant bank", joined forces with Crédit Commercial de France to buy a 90 per cent stake in Charterhouse, a UK

man initiative to build up a three-legged cross-border merchant banking group.

The largest of the four transactions was the AGF/AMB and Crédit Lyonnais/BfG deal, completed only after months of horse-trading between some of France and Germany's largest financial institutions. During this long-winded process the chief executive of AMB lost his job, mainly because be opposed the process of

co-operation with the French. For mergers and acquisltions followers it was a continental Enropean treat: the deals were done in backrooms, far from the scratiny of the financial markets, with one supervisory board chief

In this hattle of the giants the interests of minority shareholders were hardly par-

UK merchant banking advisers played a role, but all too often a limited one: S.G. Warburg advised Wolf-Dieter Baumgartl, AMB's chief executive, on how to stay independent of the French; the advice was to no avail - Baumeartl was onsted by the pro-French chairman of his own supervi-

An added note of exoticism was provided by AMB's defence strategy, which was to hide behind a special class of "vinculated" shares, which gave AMB the right to decide who should have voting rights

and who should not. If the affair began last year on a distinctly unfriendly, non-European note, relations between the insurance companies became more harmonious. The votes on the vinculated

its BfG problem. BiG-Bank - originally the Bank für Gemeinwirtschaft, a trades union bank - came

sbares were recognised after

the French were able to provide AMB with a solution to

All parties were happy when AMB introduced Crédit Lyonnais as a buyer for BfG, the German bank

under AMB's control more than five years ago. The aim was for the bank to sell the insurance company's products. hat the venture into "Allfinanz" was ill-fated. The bank suffered from its exposure to the Co-Op retailer (which nearly went bankrupt in 1989)

and from high exposure to problem country sovereign

BfG-Bank cost its parent billions of D-Marks, and was a millstone around its neck especially at a time of change in the German insurance mar-

But for Credit Lyomais the opportunity to buy the bank, with 200 branches in east and western Germany, represented a one-off chance to establish a significant presence in the German hanking market.

Thus all parties were happy when AMB introduced Credit Lyonnais – lts fellow state sector institution - as a buyer for BfG. In return, AGF won its influence over the hig German insurer.

The deal was opportunistic. But the net result was co-operation in keeping with the spirit of the single market programme which took effect soon after shareholders voted their approval at the end of

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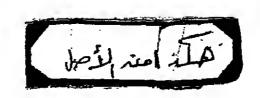
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### Opera Gardiner's 'Marriage of Figaro'

The cycle of Mozart's operas that John Ellot Gardiner is recording for Deutsche Grammophon is being derived from concerts which have become a welcome feature of summer on the South Bank. Idomeneo, La clemenza di Tito and Die Entfulnung have appeared so far, Cosi for tutte is still to be released, and this week in the Queeo Elizabeth Hall Gardiner is condocting twn performances of Le nozze di Figaro.

"Concert performances" is a misnomer for these highly detailed presentationa. "Three quarters staged" would be more accurate: the singers wear modern dress white tie for the Count, a leather waistcoat for Figaro, evening dresses for the women - and play in front of a painted backdrop after Fragonard. There is a single chair, a wardrobe, but mercifully no wigs. The Londoo concerts follow a European tour that has included full stagings in Lisbon and Paris and presumahiy all the husiness and the prodoctions points are derived from those, though no stage direc-

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tor is credited in the programme. Given the self-imposed constraints it is an energetic evening, full of bustle and incident, with entrances spilling off the stage and into the auditorium. It is carefully gaoged sn that action does not intrude into the final recording, where the subtleties that some times seemed missing from the acting (in the ambiguities of the the final-act reconciliations most strikingly) would he able to emerge through the vocal lines. The spry, translucent textures of the English Baroque Soloists allow the light voung voices of much of the cast to carry easily and expressively; the singers have choseo carefully for their vocal flexibility and wit.

With every appearance Bryn Terfel's Figaro seems to gain steadily in his emotional range, sense of timing and vocal assurance; Alisoo Hagley's Susanna, new to me, was a delight; one expected the graceful, idiomatic singing, and winning stage manner oot necessarily the nicely judged wit. There is a menacing, if slightly underplayed Count from Rodney Gifry, elegant, calm Countess from Hillevi Martinpelto. Pamela Helen Stepheo makes a gawky, nicely ganche Chernhino; Susan McCulloch (Marcelilna), Carlos Feller (Bartolo), Francis Egerton (Basilio and Doo Curzio) and Julian Clarksoo (Antonio) flesh out the cnmedy without every descending into coarse acting, and Constanze Backes makes a great

deal of Barbarina's aria. Most of all, though, it is Gardiner's evening; he invests every number with dramatic pace and point, pays the closest attention to rhythmic detail and watches and tering angel. It is always involving, always moving and finally joyously uplifting.

The musical text is full, but Gardiner favnurs nocooventional orderings of the items in Acts III and IV, decisions locidly justified in the programme. The Countess's "Dove sooo" is brought forward in the third act before the sextet and hence clarifies the progression from tensloo through comedy tn celebration; in the fourth the recitative that precedes Figuro's "Aprite un po" is Interrupted by Susanna's "Deh vieni", to give his oothorst moch more dramatic point. Traditionalists will be able to programme ont the revisions when the CDs appear; the recording, though, promises to be very

#### **Andrew Clements**

Queeo Elizabeth Hall; sponsored by National Power Further performance tonight

"Kiss kiss bang bang" is the oldest formula in films. "Kiss kiss" refars to the hits where two people melt together, softened by the string section and lured by the cosmic push towards Goeoess. "Baog bang" (leave aside more risqué meanings) refers to the bits where two or more people enact the ultimate ritual of atomisation: split apart from each other, from the movie or from life

But "Kiss kiss bang bang", however poteot its potential, can never be the whole story in a film: merely an underpinning to richer things. Two of this week's American movies deploy the formula in all lts schematic nakedness and are theo surprised wheo audieoces who begin hy whooping with excitement end up sicklied o'er with the pale cast of dejà vu.

in Mod Dog And Glory screen-writer Richard Price, tangy chronicler of life on the edge in films like Sea Of Love and The Colour Of Money, gets what he may have thought a "Eureka" idea for a KKBB plot. Shy police photographer Robert De Niro accidentally saves the life of crime boss Bill Murray frightening off the thief who is standing on Murray's face during a cooveniance store robhery - and then falls in love with the girl (Uma Thurman) whom a grateful Murray "loans" him. Will bullets fly when the little man tells the big man that he cannot have the lady back?

Since director John McNaughton's last film was the grimly provocative Henry: Portrait Of A Serial Killer, all bang and no kisses, we wonder bow he will cope with the Cinema/Nigel Andrews

## The 'kiss kiss bang bang' formula

two-tooe mandates of commercial cinema. Answer: scarcely at all. After a gruesome, Henry-ish first scene shot in black and white - a roadside drug deal sealed with two hullets in two brains - we swing into the wacky, ali-colour world of Chicago crime and punishment.

De Niro is a timid, gentle, creasyfaced loner who hums "That ol' hlack magic" as he soapshots corpses. Murray has a mug that could crack a mirror but he loves his friends and does stand-up comedy routines for his fellow boods. And Thurman is a little packet of fizzy sex appeal sent to De Niro as a "seven-day singing telegram" and

outstaying her time limit. These lovable goodballs never existed outside a film, oor did their slap-happy schedule of love and violence. The romance-and-action alternations might bave been designed by a committee. A few minutes of rough stuff out on police patrol; then a few of De Niro and Thurman going kissy kissy on his sofa (hurbling saxophone and barp glissandoes on soundtrack); then a few more of thudding corpses or crasbing fists; theo some huddy-buddy cosiness between De Niro and Murray; then more mayhem; then more

Finally the film disappears up its own regimented schizophrenia: living, or half-living, proof that when

the kiss-kiss-bang-bang formula is mishandled it no longer seems a pithy prects of buman life, more the product of an entertainment industry handing out love and violence like a pill doctor dealing out uppers and downers.

Much the same perfunctory pre-scriptions are oo offer in *The Assas*-

MAD DOG AND GLORY John McNaughton

THE ASSASSIN (18) John Badham

RED ROCK WEST (15) John Dahl

THE FENCING MASTER (12) Pedro Olea

sin. America's remake of Nikun. Luc Besson's French original gave us Anne Parillaud as a drug addict/ murderess turned glamorous government hitwoman. Spared the ulti-mate penalty by a State who for-gave her criminal past in return for future of hired liquidation, she dashed around Europe popping off VIPs while trying to achieve emotional normalcy with her boyfriend. The cleverest, maddest scene in

Nikitn had the heroine fitting up

her gun in a hotel bathroom for an immediate "hit" - she has received a phone call in mid-love scene in the bedroom - while the boyfriend bangs oo the locked door suffering from a combination of curiosity and coitus interruptus. Hollywood perkily re-runs this scene, with Bridget Fooda doing her out over the assembly-kit rifle while her frustrated Californian hippie (Dermot Mulroney) quizzes through the

Elsewhere, The Assassin is less convincing than Nikita even on the French film's absurdist, fabulist terms. As in Mnd Dog And Glory, automatism takes over the kissbang franchise. We begin with the explosive: robbery, murder, arrest, violent training. Then like soothing sorhets between helpings of red meat, we keep being served romantic entr'actes

There is Gahriel Byrne, the secret service smoothie whose hard exte-rior conceals a made-in-Hollywood heart; Mr Mulroney, our heroine's oceanside Galahad; even Anne Bancroft, who runs the Assassin Training School's charm school and teaches the young gels the finer things of life. Like how to walk, talk and court; how to remove bones from the throat during posh dinners (sic); and how to dress correctly for Mr Right

The Bancroft scenes are totally

barmy. But then as directed by John (Saturday Night Fever, War Games) Badham, the whole film is barmy. As with all bad kiss-bang cinema, plausibility is pushed aside hy the fallacious creed that all you need to ensnare an audience is a remorseless, nonstop Yin-ing and Yang-ing between the romantic and the kinetic.

Red Rock West comes closer to getting the recipe right. Kiss-kiss is put on a back burner - or allowed to lie around defrosting - until the ingredients for bang-bang are properly beated. Job-hunting hobo Nicolas Cage, arriving in Red Rock, Wyoming, is mistaken by bar-owner J.T. Walsh for the hired killer he plans to set on his wife (Lara Flynn Boyle). Walsh gives him \$5,000 for the job; Miss Boyle gives him \$10,000 not to do the job - or to do it on Walsh; and so the merry imhroglio begins.

Soon we have stalkings, ambushes, gunplay and Dennis Hopper, stark mad in a Mexican jacket as the real late-arriving hit man. And before the bang-bang climax in a studio-built graveyard, we have all we need in the way of kisskiss: Mr Cage and Miss Boyle exchanging some moody, ooirish moments of passioo in her darkened

Director John Dahl's previous fea-

pulp, Kill Me Again. He and cowriter brother Rick must have had the complete works of Jim Thompson or James M Cain dropped on thair heads as children. Red Rock West runs loto a diminishing-returns zooe before the close: too many self-conscious "surprises", too much strenuously hardboiled dialogue. But before that, what a pleasure to see a kiss-bang thriller in which both forms of consummation are dealt out slowly, teasingly. appetisingly, rather than force-fed to us from frame one.

The Fencing Master is a similar but Spanish tale; more kiss-kiss-swishswish. A rapier maestro in 1860s Madrid (Omero Antonutti) falls in love with his beautiful, mysterious lady pupil (Assumpta Serna). Could she he a political agent, limbering up for an assassinatioo programme as Spain breathes the first heady scents of Republicanism?

Soon bodies are thudding to floors and corpses are being extracted from rivers. The fencing scenes, as well as providing sublimated love play, become teasing, inquisitorial pas de deux between the suspicions master and the suspected mistress of deception. Director Pedro Olea. adapting a novel hy Arturo Perez Reverte, could have given his camera more rapier-like dash and force. With each scene we seem to bog down in a new sub-Velasquez tableau. But at least in Spain, unlike some parts of Hollywood, love and violence are seen as subtle, seditiously symbiotic forces rather than mere seesawing extremes for a vari-

#### Ballet/Clement Crisp

### The Kirov's 'Romeo and Juliet'

ould this be the Kirov Ballet? Was this really Leonid Lavrovsky's Romeo and Juliet? The opening performance of the Kirov season oo Tuesday evening was one of those occasions when doubt replaces delight, and you seek excuses for what is on view rather than superlatives.

We have loved, hoooured the Kirov since its first Loodon visit in 1961 - and the souvenir programme for this present appearance reproduces a 1961 poster which bears a roster of names so illustrious that tha heart lifts even oow. Looking aghast at the stage oo Tuesday, at the flimsy performances and the risible production, it is hard to accept this farrago as worthy of a theatre and a company which has ever been a beacoo of classic style and the noblest aspirations of Russian art.

We saw Lavrovsky's Romeo on

the first night of the Bolshoi Ballet's first visit to the West, at Covent Gardeo in 1956. The curtains parted, and there was a triptych Juliet - our first sight of Ulanova, who was to seem that night a genius of the dance in her purity and expressive truth. The staging was handsome; Pyotr Williams' designs were opulent, so veristic that "one could almost smell the Verona drains", and filled with hustling life, with tremendous drama, with passionate and passiooately coovincing dancing. We were subjugated by the breadth and grandeur of Lavrovsky's production -the choreography a bit predictable, perhaps, hut dooe with devastating power - and by the generosity of the performances.

This Romeo had, though, beeo first staged for the Kirov Ballet in 1940 with Ulanova, and it is this version which tha troupe has now brought to London. It is wholly disappointing. The scenery is credited in the sketchy cast-sheet to "P. Vilyamo" (who is, I suppose, Pyotr Williams). It is predictable, functional, and looks ill-realised and somewhat ricketty. The choreography is not credited at all - a slip, or an admis-sion? - and is shorn of the triptych prologue, which is included in the printed libretto. The company performance is, frankly, miserable. There are phalanxes of people looking shifty and wearing ineffably quaint character costumes. (Most of the oobility and gentry seem inspired by Tommy Cooper's celehrated impersonation of Hamlet). Montague is an embarrassed heanpole; Tybalt has cornered most of the brightest-coloured stuffs, well set off by a gang of chaps pretend-ing to be guards in tin hats and sagging black St. Trinian's knickers. A good deal of furnishing fabric swishes about as High Renaissance fashion. The effect, were it not so sad a travesty of a fine ballet, would be hysterical.

These problems are compounded by characterisations no less improbable and unworthy. Shameless mugging or disinterest mark the drama, with a lamentably weak dance style in the few momeots which demand male soloist in tha ball-room divertissement was very disappointing; the scenery-chewing in Juliet's bedroom by her family and the ourse was a ripe example of the art of coarse acting. The National Theatre of Brent could not do better).

Embedded in all this were two

valuable interpretations. The curious fact is that they were giveo by Moscow guests, in the leading roles: Nina Ananiashvili and Yury Posokhov. Ananiashvili shows us Lavrovsky's Juliet, a child suddenly grown to womanhood as she and Romeo fall in love. We see It happen in the exquisite "private" front-cloth scene at the ball when the lovers are alone, and like Ulanova. Ananiash vili makes it ecstatic, fateful. The later progress of the drama comes inevitably and touchingly from this, and Ananiashvili charges the dance with a powerful physical image. As with Plisetskaya in this role, she justifies the dance hy the clarity and power of her style, and beautifully so in the balcony duet.



Yuri Posokhov and Nina Ananiashvili, guests from Moscow

Posokhov, now with the Royal Danish Ballet, is a superb Romeo. His natural elegance - everything light, true, harmonious - is allied to a quiet dramatic sincerity. He penetrates to the heart of each dance or emotional moment, and shows us its essence. Wonderful the tight focus of his anger in the fight with Tybalt. The ardours of the young lover, the iotensity of his feelings even something heedless in Romeo's temperament - are beautifully stated.

Together, these two guests reminded us that Leonid Lavrovsky was one of the masters of Soviet ballet, a fact which the Kirov Ballet's lustreless presentation was at pains to minimise. The presence of the Mariinsky Theatre orchestra was the other positive factor of the eveniog: "authentic" performance, such as these fice musicians gave under Boris Grouzin, is a joy.

The Kirov is at the Coliseum with varying programmes until July 31

#### A student musical; and LIFT goes Chinese

ny musical that contains the song "Oh! You Beautiful Dol!!" has a lot going for it. You may bave forgotten (I never knew) that it comes in Madame Sherry by Otto Hauer-hach and Karl Hoschna which appeared in Bloomington, Illinois in

Actually, the "Beautiful Doll" song was added slightly later and the original version of Mndame Sherry was French, being first per-formed in Berlin around the turn of the century. A new adaptation by Martin Connor surfaced in Connecticut in 1989, Such a cosmopolitan history makes it entirely appropri-ate for the summer musical at the Guildhall School of Music and Drama, though the ohvious questioo is whether It could stand a

longer run oo a bigger stage.
The answer is just possibly "yes". The Guildhall performance opens nervously, but gains confidence as it goes on. Here is a mixture of all the clichés of the musical: corny plot, shaky dialogue, seotimeotality, set pieces and a happy eoding. Oo the other hand, those are the ingredieots that can make a musical work. And if you like good bad jokes, Madame Sherry has Its stack em: for example so rich, he keeps Swiss money in American banks." The bad puns are a lot worse than that, but still appealing.
Of course, it is oo the music and

the lyrics that a musical stands or falls. Madame Sherry stands. Not only "Beautiful Doll", but also "Put Your Arms Around Me, Hooey" and "Every Little Movement", all of which have taken up by later stars. In the Guildhall production, where Martin Connor directs his own adaptation, there is lovely chorus work, and some attractive staging, notably in the yacht in New York Harbour. The costumes are elegant throughout: it is a tribute to the cast that they know how to wear

There are good parts galore. I liked Alison Burrows's Yvonne, the girl who arrives on the New York scene having been brought up in a Freoch convent, and ber immensely tall father Theophilus, played by David Axel. Why Judy Browne's Catherine has an Irish accent is beyond me, but it adds to the teas ing fun in a thoroughly enjoyable evening. The orchestra is excellent with some fine violin playing by Sonya Fairbairn.

Meanwhile, the London Interna tional Festival of Theatre (LIFT/93) continues across the capital until July 12. Catch it where you can. I am told by those who have seen them that the itinerant Hanol Water Puppets are sheer delight. For myself, I enjoyed without understanding the Chengdu Theatre Company's Ripples Across Stagnant Water at the Riverside Studio.

The play has elements of a Chi-oese Madame Bovary and is set, around 1900, against a background of civil strife. I cannot comment on the dialogue, but the acting, setting and musical interventions are of a very high order. One poiot that struck me is how easily the Chinese move from great courtesy to vio-leoce: almost in the same effortless physical movement.

#### Malcolm Rutherford

Madame Sherry is at the Guildhall School Theatre uotil July 7, (071)



Stagnant Water'

# INTERNATIONAL

#### **■ BATIGNANO**

Adam Pollock'a Intimate, outdoor opera festival, Musica Nel Chiostro, opens on July 22 with the first of three performances of Le Disgrazie d'Amore by Antonio Cesti (1667), followed in early August by six performances of Bernstein's Candide. Ends Aug 15 (0564-38096)

#### ■ BREGENZ

The opera festival on the Austrian comer of Lake Constance continues to-solidity its connection with front-rank British producers. Jonathan Miller's new staging of Fedora opens this year's festival on July 20, with Mara Zampieri In the title role. David Pountney produces Nabucco on the floating stage. Ende Aug 22 (05574-4920)

### 224)

■ DROTTNINGHOLM Eisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre

still in action. This year'e operas include Una cosa rara by Mozart's Spanish contemporary Vicente Martin Y Soler (conducted by Nicholas McGegan, first night July 10) and Grétry's beautiful Zémire et Azore (staged by John Cox). Ends Sep 4 (08-660 8225)

#### GLASGOW

This year's international Jazz Festival, opening tonight, balances Oscar Peterson, Nina Simone, BB King and Tony Bennett with the more exotic sounds of Don Pullen's Afro-Brazillan Connection, the Art Ensembla of Chicago and Hermeto Pascoal, Ends July 11 (041-227 5511)

■ MACERATA Renato Bruson sings the title role in Rigoletto, which opens the festival on July 15. This year's other operas are Lucia di Lammermoor staged by Josef Svoboda and starring Valeria Esposito, and Le nozze di Figaro conducted by Gustav Kuhn. Ends Aug 11 (0733-230735)

#### **■ MONTREUX**

The Jazz Festival (July 2-17) has moved from the foreshore of Lake Geneva and the crumbling confines of the town's Casino to the shiny new Stravinsky Auditorium. Quincy Jones oversees a fortnight of showcasing from Bazil Masters (including Gilberto Gil) and Soul and Jazz (Al Green, Chaka Khan, Ramsey Lewis) to the world premiere of a new work by George Duke (featuring Stanley Clarke) and a Blues Summit with BB King and

Etta James. Fringe sessions at the Naw Q'e Club look good, with Ray Brown Trio, trumpeter James Morrison, Elvin Jones and Michel Petrucciani (021-963 8282). Montreux's classical music festival runs from Aug 20 to Sep 24 (021-963 5450)

#### KUHMO To this tiny Finnish town below the

Arctic Circle and just west of the Russian border, distinguished and newly acclaimed European and American ansembles and soloists come to provide up to five concerts daily, besides giving masterclasses. What makes the festival continually axciting is that so much of it . consists of fine performers who have just had a few days to rehearse together. Chances are taken, spur-of-the-moment insights flashad. The atmosphere, amid all the lakes and pines, is blessedly informal. This year (July 16-Aug 1) several leading British musicians figure, and there are song recitals. Japanese concerts, the Maly Ballet and some chamber opera (086-520936)

#### ■ PESARO

The Rossini opera festival opens on Aug 9 with the first of four performances of Armida, staged by Luca Ronconi and conducted by Daniele Gatti, with a cast led by Anna Caterina Antonacci, Ramon Vargas and Jeffrey Francis. This year's other production is a revival of the Pizzi staging of Maomatto II starring Cecilia Gasdia. Raina Kabaivanska aings arias by Gluck, Rossini and Cherubini on Aug 18,

and Maurizio Pollini gives e piano recital on Aug 21. Ends Aug 22 (0721-33184)

#### RAVENNA

The line-up over the coming three weeks includes concerts conducted by Muti, Gavazzeni, Boulez and Solti, plus a series of piano and song recitals. Enda July 21 (0544-32577)

#### SALZBURG

Gerard Mortier's second festival. opening on July 23, will be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's Coriolanus alongside a revival of Peter Stein's 1992 production of Julius Caesar. This year's new opera productions are Cosi fan tutte (with Cecilla Bartoli and Jenniter Larmore), Lucio Silla (with Ann Murray and Luba Orgonasova) and Monteverdi'e Poppea (with Sylvia McNair and Philip Langridga). Revivals include Salome (Bondy/Donnanyi, with Catherine Melfitano and Bryn Terfal) and Falsteff (Ronconi/Solti, with José van Dami. There are concert performances of Dallapiccola's Ulisse and Nono's Prometeo. Despite the increase of contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, Including the Berlin Philharmonic with Abbado, the Oslo Philharmonic

with Jansons and the Vienna

Philharmonic under Maazel, Ozawa

and Levine. Riccardo Muti'a only

appearancee this year will be to

conduct two Jessye Norman concerts on Aug 2 and 3. A notable occasion will he the farewell concert on Aug 9 of Chrieta Ludwig, one of the best-loved of Salzburg veterans. Ends Aug 31 (0662-844501)

#### SAVONLINNA No-one who visits Finland's premier

summer festival can fail to be impressed by the atone castle courtyard in which it takes place. Poised on the edga of a lake, Olaf's Castta (Olavinlinna) is one of the world's outstanding outdoor iocations for opera. The festival opens this week with a new production of Macbeth, conducted by Leif Segerstam and staged by Ralf Langbacka, with festival director Jorma Hynninan in the title role (seven performances till July 20). Fidello (first night July 8) and Die Zauberflöte (July 2, 5, 7, 12) are both August Evarding productiona. Lithuanian Opera and Ballet theatre brings Nabucco (first night July 21) and Lucia di Lammermoor (July

Peter Schreier gives a recital next Tues and conducts Bach's Saint Matthew Passion on July 11. Hakan Hagegard gives a song recital on July 10. Ends July 27 (057-514700)

#### ■ SPOLETO

The annual arts binge in thia Umbrian town is now in full swing. This year'a operas are Puccini'e Trittico, staged by the festival's ageless supremo Glan Carlo Menotti in the Teatro Nuovo, and The Rake's Progress at Teatro Caio Melisso.

The danca programme features American company Garth Fagan Dance and Ballet of the Deutsche Oper, Berlin, with Peter Schaufuss. Steve Berkoff directs Oscar Wilda's Salome, and there is an Italian-language production of Tennessee Williams' A Streetcar Named Desire. Plus numerous midday and plazza concerts. Ends July 14 (Tickets 0743-40265 Information 0743-44097)

#### **■ TANGLEWOOD** For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting

for concerts in the heart of tha Massachusetts countryside. This year's opening events, from Thurs till Sat this week, feature the Boston Symphony Chamber Players, Julilard String Quartet and baritone Hakan Hagegard, prior to the Boston Symphony'e first orchestral performance on July 9.

On Sun, Tanglewood presents a round-the-clock independence Day celebration culminating with an appearance by folk group Peter Paul and Mary. Ends Aug 31 (Ticketmaster Boston 617-931 2000) New York City 212-3077171)

#### ■ VADSTEJNA

Vadstejna's annual opera festival, set in the historic buildings of this charming medieval town 250 km south-west of Stockholm, continues its exploration of forgotten works with Stradella's II Trespulo tutore (1879) and Paer's I molinari (1794). The festival opens this week and runs till Aug 11 (Tickets 0143-19400 Information 0143-12229)

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## Paternalist survivor of the seventies

Heath will ba 77 next week. In the last words of this 876-page biography: "He has outlasted all REVIEW his contempo-

raries (in the House of Commons]; and his reputation is beginning to be restored." in the end, it is his staying power as a politician rather than his achievements in office that continue to astound. He was prime minis-ter for less than four years and left Downing Street in near ignominy after the general

election of Fehruary 1974. While hesitating to recommend a book of such length to busy people, I would say that it is at least as interesting as a tale of the difficulties of govarning Britain as it is an eccount of, by any standards, a very unusual man. Practically all the problems that can ever afflict a British administration came together during Heath's premiership in the early 1970s. Unemployment passed the then politically unacceptable level of 1m. The trades unions were rampant: there was not one miners' strike, hut two, the second coinciding with the threat to oil supplies from the Middle East war of 1973. North-ern Ireland was at its worst.

In the midst of it all, Heath was working at his ambition and lasting achievement of tak-ing Britain into the European Community. Even that was et least as difficult in the House of Commons as passing the treaty of Maastricht. It was secured only by the support of the Roy Jenkins wing of the Labour party and the insistence of Francis Pym, the chief whip, against all Heath's natural instincts, to allow the

Tories a free vote. It will be up to historians ultimately to judge whether the Heath government floundered because of the prime minister's peculiar temperament or whether it was precisely his single-minded determination that allowed it to achieve as much as it did. John Campbell, previously a biograpber of FE Smith, Lloyd George and a short on Roy Jenkins, does not presume so far, but he offers some significant

**EDWARD HEATH** A BIOGRAPHY By John Campbell Jonathan Cape. £20, 876 pages

The first is that it is quite untrue that Heath was the forerunner of Margaret Thatcher but betrayed the new Tory faith in the market economy by a series of U-turns starting with the rescue of Upper Clyde Shipbuilders. As Campbell convincingly demonstrates. Heath was never much of e free market radical. He was a Tory paternalist who had been effectively, as chief whip, chief of staff to Harold Macmillan. He balieved in regional policy, in interventionism and in keeping the closest eye on the employment figures as almost the single

key political indicator. The section on Selsdon Man is brief, but telling. The conference of the Tory shadow cabinet at the Selsdon Park Hotel in early 1970 was not especially about economic policy; it was planned simply to bring all strands of policy together ahead of a general election. Yat the media latched onto it. Iain Macleod suggested telling them that it was all about law and order, which the media fell for. lt was Harold Wilson who then coined the phrase "Selsdon Man" - "e lurch to the right, an etavistic desire to reverse the course of 25 years of social revolution...a wanton, calcu-lated and deliberate return to greater inequality".

Initially, tha conference may have helped the Tories because the almost accidental publicity helped to show the country that there was an opposition party in waiting for government. In the longer run, however, the phrase was damaging to Heath since Selsdon Man was all that be wasn't. It repre sented what he later thought about Margaret Thatcher.

Campbell's other useful reassessment is on Europe. Mythology has it that Heath was a passionate European almost from his birth on the Kent coast. Possibly he was, though not everyone knew it. Campbell suggests that he was put in charge of the original, abortive negotiations with Brussels precisely because, unlike such known Europeans as Christo-

pher Soames, Peter Thorneycroft and Duncan Sandys, he was thought to have an open mind. (Incidentally, it was from that period when he was nagotiating terms for over 2,500 products that he became known as "Grocer Heath" nothing to do with his rela-

tively humbia background.) Campbell convincingly explains one more point. When Britain finally won entry to Europe under President Pompidou, Heath believed that the country must make a dash for growth in order to be able to keep up with its new partners. was the misleadingly called "Barber boom". It was really the Heath boom. As Lord Barber remains reluctant to say in public, as chancellor he was desperately worried about it, just as he was about the prices and incomes policy

espoused by Heath. The lacuna, as It is in all books on the period, is on the detail of how and why Heath came to call a general election on February 28 1974. If he had held on or just possibly gone earlier, British history in the next few years might bave been very different – certainly the history of the Tory party. For this we await Heath's own account, if it ever comes.

Luck has played a large part in his career, not always for ill. He was fortunate to have been number two to Lord Home at the Foreign Office. Thus he had no hesitation in supporting Home for the leadership wben Macmillan resigned. In the process his own rivals were largely eliminated, and Heath became the natural successor. The strange unexplainable paradox is that in 1970 he won a general election be was expected to lose and in February 1974 lost when he was expected to win. Here surely is the case for fixed-term parliaments.

There are lots of anecdotes slong the way. As a boy, Heath called his dog "Erg", after his names: Edward Richard George, Campbell forgets to tell us what kind of dog, It is also possible that the author has a peculiar animus against Tha Times. Lord Rees-Mogg, editor during the Heath years, will not enjoy being exposed for being almost invariably wrong in his comments.

Malcolm Rutherford

ECONOMIC VIEWPOINT

# Myth of European 'competitiveness'

**By Samuel Brittan** 

are in a position where labour costs are too high for full employment, then it ceases to make sense to talk of competitiveness. For competitiveness is a relative concept; and we cannot all be uncompetitive

industrialised countries (in

nowadays include Japan) are

suffering from similar problems: recession or disappointing growth; high and rising unemployment; and worries

about the stability of financial

Yet so strong is the human

instinct to blame everything

on an external enemy or oppo-

nent that the only slogan

under which statesmen can

agree to discuss the problem is

lack of competitiveness". This

was the theme of both Jacques

Delors and John Major at the

recent European Community

summit in Copenhagen,

although their remedies dif-

By accident or good timing, a pamphlet has landed on my

desk by John Hotam, a former

Labour minister, who has per-

suaded himself that the Tories

are the lesser evil and now sits

as Conservative member for

Orpington. The pamphlet is

called Making Britain Competi-

tive. Much of what ha writes,

like most of what his leader

said in Copenhagen, makes

aminent sense. But in both

cases their arguments are

spoiled by being put in the

The units that compete in

world trade are - heaven be

praised - individual businesses

and not whole nations. One

can talk about competitiveness

at the national economic level

only in a strictly limited sense.

A country may have cost lev-

eis, at prevailing exchange

rates, which are so high as to

undermine solvancy or to threaten jobs which would oth-

erwise be safe. In this sense.

the UK was uncompetitive - as

some of us saw only with hind-

sight - at the old ERM

exchange rate. Germany risks becoming so today.
The UK competitiveness

problem was dealt with, et least for a time, by devalua-

tion. The D-Mark has risen

against some European curren-cies, but has fallen heavily

against the yen and modestly against the dollar. It remains

to be seen whether these move-

Of course, the henefits of

devaluation may be eroded by

pened in the British case and

could happen again. If it does -

and it need not - then the UK

will be seen to have a real com-

petitiveness problem and one

which cannot ba tackled by

monetary or exchange rate

only the UK and/or Germany,

But if most countries, not

inflation, es regularly hap-

ments will be enough.

competitiveness framework.

against each other. The last international figure whom I remember making the point was Emile van Lennep, the Dutch secretary general of the OECD between 1969 and 1984. Bnt Mr Van Lennep firmly rejected any diagnosis of the common problems of member countries in terms of competitiveness. "Against whom should the OECD as e whole be more competitive? Against the developing world? Against the moon?" The problem was, and is, performance not competitivene

Since then, of course, many have asserted that there is, indeed, a threat from the non-OECD world, in particular the Asian developing countries and the former Communist countries of Europe.

The real reason why these countries are unlikely to impose an insupportable threat to jobs in the West is that they do not export to line their bank vaults with yen, dollar and D-Mark notes, but in order to import. Western sales lost in home markets to these new competitors should be compensated by the extra purchases by these countries of western products. Indeed, with their

Competitiveness is relative; we cannot all be uncompetitive against each other

urgent needs for imports from tha West, it is inconceivable that the developing or former Communist countries should try to undervalue their currencies to maintain an export surplus. Their desire, for very good reason, is for the largest imports they can finance. These general thoughts may Unit labour costs in manufacturing

be cold comfort to western European steel, textile or coal producers who feel themselves threatened; but the threat is to staying in the same jobs at the same pay rates - not to overall

John Major's exposition in Copenhagen was, in its statisti-cal illustration, mostly in terms of the EC, on the one hand, and the US and Japan, on the other - in other words, the old rather than the new competitors. The estimates he cited purported to show that the EC had hecome more uncompetitive against both Jepan and the US. This is shown in the top chart by the steeper rise of EC labour costs.

Unfortunately, the figures contained e snag. For they were in terms of national currencies, which ignores exchange rate changes. The bottom chart takes them into account by expressing all costs in terms of a single currency, namely dollars. This trans-forms the picture. The EC still looks as if it has become more uncompetitive against the US: But both the US and the Community seem to have become more competitive against

Bad policies would still be a threat to jobs if present in all countries to the same extent

Japan. The latter country has obviously had some success in offsetting increased labour costs hy improvements in other aspects of competitiveness. Even so, Japanese indus-try is clearly feeling the plnch, and American demands for yet further yen appreciation verge on the Indicrous.

The charts should also show the futility of conducting interthe futility of conducting inter-national economic policy in terms of competitiveness. The area against which the EC has clearly lost competitiveness is the US. But the Clinton Admin-istration is vociferous that the US is not competitive enough. The competitiveness approach soon deteriorates into a zero-sum game in which world output and amployment seem quite wrongly to be fixed and in which one group can gain

only at the expense of another. John Horam concludes his pamphlet by saying that com-petitiveness "usually boils down in practice to mean higher standards, being better organised and more efficient, usually also more thoughtful". Perhaps someone will think of a new slogan which will encapsulate these qualities - without auggesting that we need an interplanetary war to achieve them all over the earth.

If the seemingly inexorable rise in European unemployment from one business cycle to the next does not merely reflact uncompetitiveness against other regions, then what does it represent? John Major gave basically the correct explanation in terms of excessive pay rises (now much less true in the UK), high social overheads, the Commission Working Time Directive and other regulations which make labour too expensive. All these things, however, would still be a threat to jobs if they vere present in all countries and blocs to the same extent.

What the exponents of the pricing-out-of-work hypothesis have still to explain is why the phenomenon should have got vorse decade by decade since the 1970s. A first shot at an explanation is that the labour market has become more differentieted. Market-clearing pay differentials have widened out and are subject to more rapid change - a centralised pay norm would now help much less, even if we could get it. Evidence for this is the widening of pre-tax pay differentials among those who are in

The changes are much more complex than skilled workers gaining at the expense of unskilled - the German apprentice system is itself looking dated. If there is to be a return to full employment, much more effort will have to be made by employers to find pay rates at which jobs can be offered and there will need to be an end to macho style management which measures toughness in terms of staff

#### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not band written. Please set fax for finest resolution

## Manufacturing is the | Not convinced by gas key to improving standard of living

From Mr Mark H J Radcliffe. Sir, Samuel Brittan (and Sir James Ball and Donald Robertson), far from exposing "that manufacturing fallacy again" (June 28), have highlighted an economic fallacy. Most economic commentators are undonbtedly technically correct bnt, in practical terms, are wrong to dismiss the importance of manufacturing in our trade balance. Britain has to halance its books better on international trade and manufactured goods if it wishes to achieve a viable economy and standard of living.

Manufactured goods account for nearly half of UK consumer spending, and three quarters of UK exports. These are produced mainly by world-class companies. Without them, much of the income from invisibles, whether royalties, divi-dends or profit repatriation, would not be achievable. UK manufacturing industry

provides employment for about 4.5m people, and an equal num-ber indirectly in related services. Without this employment, the public sector

Sir, With reference to Mich-

ael Prowse's review of von Mises' work ("Time to redis-

cover Ludwig von Mises", Juna

28), whether his work is or is

not an extension of that of | London E5

From Mr Mark Hannam.

Rediscovered in wrong country

escalate even further. In any event, it is unrealistic to transfer all the skills to the service industries overnight even if there was a market for them. The high level of imports is a

matter of great concern. That is why the CBI National Manufacturing Council has launched an initiative to rebuild the UK's supply base so as to meet hoth bome and overseas demand more effectively. Ovarseas investors can finance the deficit by lending

or investing in the UK. Overseas countries currently own about a quarter of Britain's manufacturing industry. But if we fail to develop our manufacturing base we risk losing that as well. Manufacturing industry is the real key to wealth creation. Let us encourage it to compete internationally rather than undermine it with fallacious economic arguments. Mark H J Radcliffe, CBI National Manufacturing

Council, Centre Point 103 New Oxford Street,

David Hume and Adam Smith

I am sure that von Mises would

have known that they were

Scots and not English.

Mark Hannam,

## competition argument

From Ms Ruth Evans. Sir, Your editorial, "Abolishing the gas monopoly" (June 29), is right to argue that social obligations imposed on public utilities are compatible with competition. However, in arguing for greater competition in domestic supply of gas you make one dubious point, ignore another and reach an

unproven conclusion. The electricity industry in England and Wales is not e convincing model of competition. Electricity privatisation did not result in a truly competitive market. It produced a duopoly with knobs on - with two big generators, regional supply monopolies, a subsi-dised nuclear sector financed hy a levy on consumers' bills. and imports of French electricity subsidised by the French government. Moreover, the regulatory body. Offer, regulates

prices too far downstream from

the generating sector, where two-thirds of costs lie. This is not open competition. You fail to address what benefits competition would deliver

to consumers. Neither you nor Ofgas, the gas regulator, has made clear what the costs and benefits would be of the break up of British Gas's vertically integrated business. Given the limits on consumer choice over an undifferentiated product, coming from a single set of pipes, there is no guarantee that consumars would gain from the abolition of price regulation. Therefore, we are not convinced by your conclusion: The introduction of competi-tion would also bring nearer the day when regulation could he relaxed". Ruth Evans.

director, National Consumer Council, 20 Grosvenor Gardens, London SW1W.ODH

#### Political donation by consensus

Sir, In decision taking regarding political donations, soma directors of public companies may be unconsciously influenced by their personal political views rather than by any perception of com-mercial benefit to their compa-

A number of leading companies do not, bowever, make political donations and it may be worth recalling the initia-tive taken by e highly regarded multinational, Unilever. It con-sulted all its shareholders on a

"one shareholder, one vote" basis, resulting in a narrow majority in favour of political donations. But, as the result was finely balanced, the board of Unilever decided not to go

The steps taken by Unilever. perhaps carried out periodi-cally, could provide the basis for reform to resolve this contentious issue of political donations to public companies. S G Grant, 23 Sollershott West,

Letchworth,

#### US labour market trend offers no solution for EC unemployment

From Mr Richard Seager. Sir, You report that, to deal with the EC unemployment problem, John Major and others have argued for less regulation of EC labour markets ("Major fires broadside at social policy", June 22). Within the news story and your editorial ("EC plan from Mr Delors") the US is presented as an example of a country where a "flexible" labour market has allowed more job creation than in the EC. The intentions of Mr Major's government further to deregulate labour markets were made clear in the report

Reform and Employment Bill ("A-Z of the new law for employers, workers", June 22). The law, by allowing employers to pay more to workers who forego collective bargaining rights and accept individ-ual contracts, aims seriously to undermine the influence of unions by allowing workers to be penalised for choosing to be members of legal organisations

The fact that anyona can present the US as an example of labour market practice astounds me. Yes, the strength of unions has diminished over on the upcoming Trade Union | the last 20 years. An impor-

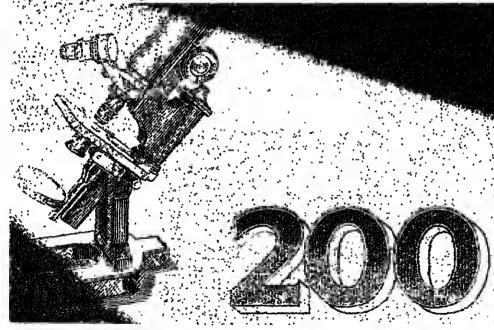
tantcause has been the loss of . low? This is not to belittle unionised manufacturing jobs and their replacement by low paying, insecure service jobs lacking union protection.

Nearly everyone agrees the overwhelming majority of jobs created in the US in the last decade have been of this type rather than of jobs allowing the middle-class existence and prospects which an earlier generation took for granted. The declining or stagnant real US wages of the last 15 years, and growing inequality, are the direct results.

Is this the shining star that EC policy makers want to fol-

what is a real problem. Unem-ployment is rife in all the industrialised countries but its solution must be coupled with moves to guarantee living standards, security and maintenance of workplace standards. How to do this is a big task requiring innovative thinking by governments, unions and employers. This is not made easier by focusing on ideological solutions or ignoring tha inequality and injustice "flexi-ble" labour markets create. Richard Seager, 601 W112th St Apt 34, New York, NY 10025, US

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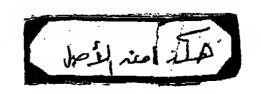
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### FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Thursday July 1 1993

## Stop the EC waste war

LONG ACCUSTOMED to Europe, driving down prices for complaints from its EC partners raw materials such as plastic. about high interest rates, Germany now faces criticism for flooding its neighbours with another form of unhelpful export. The cause of the concern is the excessive quantity of waste pack-aging material generated by Germany's ambitious but ill-thought out recycling scheme.

Having bowed to pressure from environmental lobbyists for hasty introduction of a country-wide collection system, Germany now finds the results are hurting its neighbours and itself. After several skirmishes on the subject among Community environment ministers in recent months, France on Tuesday threatened to ban German imports of packaging material Other countries may be

ready to follow. The episode highlights the need for aensible EC rules governing waste disposal in member coun-tries. Unfortunately, an EC directiva setting down common policies and objectives on packaging waste, under discussion for 2% years, is still a long way from agreement. The issue, which has important repercussions for the functioning of the single market, has been lamentably neglected during the past year. One of the more useful contributions of the six-month Belgian EC presidency which starts today would be to clear up what is rapidly becoming

Correction Research Charles Charles Charles and Charles Charle

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an EC-wide packaging mess. The nub of the problem is Germany's DSD recycling network, established after a 1991 law obliged manufacturers and retailers to re-absorb wrapping materials. Refuse gathered under the scheme, subsidised by both consumers and producers under a product labelling system, far outstrips the country's capacity to recycle it. As a result, large amounts of waste are roaming

paper and board, and damaging recycling industries elsewhere.

The system has other important drawbacks. Rules requiring companies to take part in recycling schemes on a country-by-country basis can discriminate against importers. The main beneficiaries have been German waste contrac-tors: risk-free intermediaries which arrange collection and recycling, and pass on the bills to the central DSD company. Reflecting rising recycling costs, the organisation itself has announced it is in danger of finan-

cial collapse.

Outsida Germany, Spanish, French and UK producers have been hit by large quantities of subsidised German waste paper, while Belgium and the Netherlands have complained about too much German glass. The DSD's most counter-productive success has been in collecting plastic, which is technologically difficult - and thus uneconomic - to recycle. This year, 400,000 tonnes will be collected, of which an estimated 160,000 tonnes will be sold abroad. Indicating greater realism, Bonn now plans legislation to ease constraints on plastic incineration, which may lower excess supply.

The EC's proposed directive, in its present draft form, offers only half a solution to the free-for-all. The plan calls for countries to recover or recycle a uniform 90 per cent of all packing waste over 10 years, compared with about 20 per cent at present. What is required is a graduated set of rules for different products, linking targets to ease of recycling in different markets. In the meantime, Germany should accept self-restraint on subsidised exports of surplus material. The last thing the EC needs is a war

### Mates and worse

MR MICHAEL MATES, the former . Northern Ireland minister, is con-vinced that something is wrong . with the system whereby the controversial businessman Mr Asil Nadir is, or is not, being brought to justice. Who could disagree? Mr Nadir has, with impunity, inflicted losses on hundreds of innocent people. He has obstructed the administrators of Polty Peck, the company he ran into the ground, in their attempts to retrieva something from the wreckage. He has jumped bail, despite retaining enough money to buy the services of the best lawyers in the land.

Yet Mr Mates's worries hinge on the plight of Mr Nadir, now sunning himself in Northern Cyprus. He accuses the Serious Fraud Office (SFO) of a campaign to undërmine Mr Nadir's defence. In his own campaign, however, Mr Mates has signally failed to

deliver persuasive evidence. Sir Nicholas Lyell, the attorney-gen-eral, was right yesterday to reject the former minister's call for a full independent inquiry and his decision to publish the relevant correspondence, albeit in edited form, is welcome

Mr Mates's priorities look quixotic, Mr Nadir, in contrast, is no Quixote, but he must be congratulating himself on finding a Sancho Panza prepared to defend his interests to the death. The government's priority, at this stage, should still be to put Mr Nadir on trial. That may be a plous hope, hut the government has little alternative but to apply further pressure on the Turkish authorities to secure Mr Nadir's return. One way or another, the founder of Polly Peck can be relied upon to continue making a fool of Britain's politicians and its courts.

### Police service

YESTERDAY'S REPORT from an official committee chaired by Sir Patrick Sheehy advocatas far-reaching changes to the pay and grading of police officers in England and Wales. On Monday, the government published a white paper setting out equally radical proposals to shake up police organisation and management. The two documents together provide a blueprint for overhauling Britain's police, the last public service to be subjected to the government's reforming zeal.

The proposals follow a similar route to that already taken in the health service, local government and education. At its heart is a clear distinction between the purchaser of polica services, the police authority, and the provider, the police force. Police authorities will develop local policing plans, set targets, determine budgets and monitor the performance of their forces. Tha 43 police forces in England and Wales will provide the services, with much greater freedom for their managers, the chief constables, to manage their

This approach requires that public services work to clearly defined objectives. It should provide much greater information about how well different police forces perform in achieving their targets. And it allows comparisons to be made between forces, so that league tables can be used to identify best practice and raise the performance of under-achievers. Inside each police force, responsibility will be delegated to line managers in individual police stations, who will be encouraged to become more responsive to their local communities. Three middle management ranks are to be abolished, and a switch made to fixedterm employment contracts. As in the rest of the public services, per-formance-related pay will replace the existing pay scales with their in the police service.

myriad allowances and antomatic annual increments. In short, what is proposed is a performance culture within which good policing is rewarded and bad police officers are shunted out of the service.

All of this is welcome, and long overdue. However, setting performance targets needs finesse if the work of an organisation is not to be distorted. Targets for response times to emergency calls, for example, could he achieved by putting mors police officers in cars - leaving fewer of the "bob-bies on the beat" which most people say they want to see. And in one respect, the govern-

ment has failed to learn an important lesson from its reforms of other public services. Better managemant and tighter focus on clearly defined targets can do much to improve the efficiency of service providers. But creating effective purchasing bodies which are responsive to local needs is not achieved through unelected quangos. They lack the local representation that is essential for creating a responsive service reflecting local priorities. And absence of local accountability deprives management of warning signals that can indicate serious problems, as happened when the new computer system at the London Ambulance Service collapsed.

To his credit, Mr Michael Howard, the home secretary, has stepped back from the proposal of his predecassor, Mr Kenneth Clarke, that Whitehall nominees should dominate the reformed police authorities. But elected representatives are likely to control less than half the votes if the chairman is one of the home secretary's appointees. It is already apparent in the health service that absence of local accountability has impaired effective purchasing on behalf of communities. Ministers are heading for the same mistake

posse of technicians will soon be at work in the Bank of England moving a battery of computer terminals from the depnty governor's office into the governor's next door.

The move of the screens carrying market news between the two "parlours" opening on to the Bank's Garden Court will be the first visible evidence that from today a new hands-on manager, Mr Eddie George, has taken over running the Old Lady of Threadneedle Street.

The 54-year-old Mr George is a keen sailor and so sports the light tan that is de riqueur among mod-ern-day central bankers. But ha comes from a very different background from his patrician predecessor, Mr Robin Leigh-Pemberton.

Mr George was the Bank's deputy vernor until midnight last night. He is only the third insider to take the top job since the Bank was nationalised in 1946. The computer terminals and the cigarette that is usually in his hand tell of a central banking career that has developed in a symbiotic relationship with the world of financial markets. Interviewed in his old office this

week, Mr George chose his words with a fluent caution born of 31 years working in the Bank. Spelling out the priorities and concerns that will colour his five-

year term of office, he: suggested Britain had the potential for recovery continuing "through the rest of this decade"; warned that there must be limits to the protection that bank depositors can expect;

· reaffirmed his belief in more central bank autonomy while dampen-ing expectations that he would cam-

paign for it; and

made clear that, while the Bank
would act as the "interface"
between the City and industry, it was not the governor's job to be the chief spokesman or champion of the Square Mile.

But the word that cropped up most - some 20 times in 50 minutes was "stability",

Achieving stability is Mr George's prime policy goal. His determina-tion to put stability first bears wit-ness to years of frustration trying to manage monetary policy in a nation that has too often suffered imilation and lurched from slump to boom.

A passionate belief in stability -generally expressed in terms of low inflation - coloured his observa-tions on many issues, ranging from the purpose and morality of monetary policy, to central bank independence and European economic and

But first he was asked whether his elevation and the appointment of Mr Rupert Pennant-Rea, formarly editor of the Economist, as his deputy would lead to a change of style management at the Bank after the 10-year governorship of Mr Leigh-Pemberton, who was noted more for his skill in delegation than day-to-day management.

Yes. There will necessarily be a change of style. I was quite clearly brought up in the Bank and have been totally involved in what you might call the plumbing. So I shall continue to take an extremely close interest in the plumbing."

But being governor necessitated at least 30 days of foreign travel a year. "So, mevitably, I shall be distanced from the day-to-day affairs to a degree that I haven't been hitherto." At those times. Mr Pennant-Rea would "run the Bank in the way that I have done".

But otherwise Mr George seemed determined to stay in control. The only formal change in the management structure would be turning the existing deputy governor's committee, which has functioned as a kind of executive committee, into a more formal executive committee with Mr George, as governor, stay-ing in charge. Tll chair it when I'm here and Rupert will chair it when I'm away ... Rupert and I, I see as being like twin arms of an armchair. I expect us to work extremely

closely together." . Unlike their predecessors, both men have a clear mandate from the government to put the combat of inflation before other goals. This new framework and the governEddie George, who takes over today as Bank of England governor, discusses his aims with Peter Norman and Richard Lambert

## A steady hand at the helm



Ashley Ashwood

Eddie George: By achieving stability, you are better able to achieve growth and improvement in national wealth'

ment's inflation target have been "extremely helpful" and "remarkably successful", says Mr George. Low inflation is important because it is a necessary condition for economic growth. "I think by achieving stability, you are better able to achieve sustainable growth, sustainable increases in employment, sustainable improvement in

national wealth and therefore better able to achieve your social objectives, whatever they are." It also provides a reliable basis "for taking all the major economic decisions ... And I think it is the way we can mova towards a long-term economy rather than a

The governor should not be the chief spokesman for the City...he should be the chief spokesman

for sound money'

short-term economy."

There is a moral aspect to stability, too. What you get if you get high and variable inflation is a totally arbitrary distribution of wealth in real terms. And I think on the whole with inflation it is the weaker sectors of society that get disadvantaged compared with the financially more sophisticated."

Indeed propagating stability is more important than achieving greater operational autonomy for the Bank, he says. Mr George'a remarks suggest that he will be happy to join Mr Kenneth Clarke, the new chancellor, "sitting on the fence" in the debate about whether Britain should have a more independent central bank.

"The thing that I shall lobby for is to broaden the constituency and support for stability, because in a sense unless you actually have public, political support for stabili-ty...then greater autonomy, statutory accountability, call it what you like, wouldn't be terribly effective.

Although Mr George believes that "on balance and over time" more operational autonomy for the Bank would help it achieve stability, he concedes that "it's not, in this particular set of circumstances, a case that's made." He declines to predict that he will be running an independent Bank of England at the end of his first five-year term.

Independence is no magic black

box that brings stability in its wake. I think there is no doubt that the constituency for stability is the horse. Tha rest is the cart," he said. Unlike Mr Leigh-Pemberton, the Bank's new governor is not too enthusiastic about the example of New Zealand, which has given its central bank operational independence while making it accountable

to a Westminster-style parliament. "I don't pretend to be a constitutional expert," he said, but "I do think it's quite dangerous to take any model and simply seek to transpose it internationally. There are a lot of differences between the New Zealand situation and ours. On the whole, it's a small economy, probahly more sensitive to monetary

instruments than ours is." By contrast, conducting monetary policy in Britain is a complex business. According to Mr George, "400 pieces of information" have to be taken into account when changing interest rates. The Bank and government must look at the exchange rate and "all the movements of

financial markets. All the monetary indicators; not just broad mone; What's happening in credit. What's

happening to the sectoral behaviour the personal sector, the industrial sector, the financial sector. All the real economic indicators. The behaviour of the fall in unemployment and what that is telling us about the economy.

But are not UK interest rates changes political, rather than eco-nomic? Mr George looked slightly pained. He admitted that the precise timing of two recent base rate cuts - January 26 and last November was influenced by political pressures. But he insists: "We took the

The word that cropped up most in the interview – some 20 times in 50 minutes - was 'stability'

initiative to cut interest rates in January and we did in response to the 400 or 4,000 indicators.

However, the perception that the government was behind the move was costly. "It does have e corrosive effect over time, that it creates the impression - I think the largely false impression - that actually monetary policy is dictated by political considerations."

"It's a pity and it's expensive in the sense that perception undoubt-edly increases the risk premium that is on UK rates. And you could see it created for a time a weakening in the exchange market which wasn't justified by fundamentals." Are there not other areas where

the Bank's reputation is endangered? It has had an unhappy record with bank supervision over the past decade, for example.

Mr George believes that supervi-sion "probably can most effectively and efficiently ba done here" although he is "not dogmatic or doctrinaire that the consumer pro-tection dimension of banking supervision must remain with the Bank".

What concerns him more is the growing perception among the pub-lic in the wake of the closure of the Bank of Credit and Commerce International that bank depositors should be guaranteed against all

risk.

"If you produce too much protection to depositors, you can actually undermine systemic stability through moral hazard. I would be extremely worried if people felt that simply because the name of a institution is on the list of authorised institutions that this was in some sense a guarantee against risk.

There is risk in all financial transactions and I think it's pretty dangerous if we lead people to thinking that that can he eliminated. They need to take responsibility for what they do themselves with their money.

ut does this approach to consumers mean that Mr George sees himself as a spokesman for the City? "I don't think I would feel that the governor of the Bank should be chief spokesman for the City. I think the governor should be the chief spokesman for sound money.

There are circumstances where the governor of the Bank of England needs to represent the con-cerns of financial institutions if ha feels they are not being understood by government," he says. But the governor is "not a champion for the financial institutions". The Bank has a "catalytic role". It tries to ensure that the conditions are right for the financial industry to pros-per. But Mr George wants to "step hack from the idea of being the spokesman for the City almost in opposition to other parts of the economy. I just see the City being part of my work," be says. The clock is ticking. "Books", the

morning meeting of the Bank's directors, is less than 10 minutes away and questions still have to be put about the European exchange rate mechanism and the European Community's plans for economic and monetary union.

Stability first is the watchword for Europe as well as for the UK.
"I've basically had the view that you really have to achieve internal stability first. If you do that in convergence with the other major countries that will actually deliver de facto as much exchange rate stability as realistically is achievable." he says. "The hesitations I've always had in connection with the ERM or even more in relation to Emu is trying to do the thing the other way round, to fix the exchange rate in nominal terms and to hope or expect that that will deliver internal stability within the area of the exchange rate arrangement ... I think the tensions we've seen in the past year in the context of a hardening of the ERM essentially reflect the fact that we got the cart too far ahead of the horse."

On the other hand, the Maastricht convergence critería "are not a bad guide to sensible national policy management". It would be fine if Britain and the other EC countries eventually meet the criteria and want to go ahead with Emu, but Mr George suggests it will take longer than the final deadline of 1999 set

out in the treaty.

If the rest of the UK's EC partners rush ahead with union and Britain stands aside "that wouldn't be necessarily the worst thing in the

Looking ahead, Britain, for once, has a "realistic chance of rather well sustained expansion", he says. Relations between the Bank and the Treasury are good. Although Mr George "hesitates to predict" that such happy circumstances will continue, he gives the appearance of a man starting his term of office in a strong and contented position.

### **OBSERVER**

#### Quick and the some pumny if not funny replies. dead Slow-moving cortèges could soon

be a thing of the past if we're to put a literal interpretation on the words of one Alan Edwards, president-elect of the Funeral Standards Council. "Some funeral directors are failing to keep pace with consumer expectations...", he says.

As part of its "quest for excellence", the newly-formed undertaking is to appoint a funeral ombudsman. Since there hasn't been one to deal with matters of death before, the first incumbent will be advised by the body concerned with perhaps the nearest equivalent the Insurance Ombudsman Bureau.

Given the nature of the joh, however, the council might do well to arrange for additional advice from the Society for Psychical Research. After all, to keep proper watch over the quality of services. the funeral ombudsman will need ways of hearing complaints from the principal consumers who, given modern methods of disposal, will in most cases have themselves been

Winged words

What's in a name?" If Shakespeare's Juliet asked her oft-quoted question at the moment, the corporate world could supply

Ratners, whose name was perhaps indelibly tarnished by association with crap, has re-titled

itself Signet Group.
The new name has "a nice ring to it", explains chairman Jun McAdam. Besides, in sound albeit not in spelling, it has transformed what had been an ugly duckling into a young swan. New feathers have also been

taken on hy Control Securities, just switched to Ascot Holdings. Finance director John Kerslake says that although some old geezer. are still around there, that is not why the new name was chosen. Nor has it anything to do with hot water.

Moreover, although it's purely a flight of fancy, Kingfisher's progress since its translation from Woolworth suggests yet a further

Surely Heron would do well to rename itself Phoenix now it is rising anew from the flames - lit by s Ronson, of course.

#### Fellow traveller

At risk of damning him with faint praise, Chris Green, managing director of British Rall's InterCity subsidiary, enjoys a reputation as one of the railway's brightest sparks. All the more bizarre, then. to find him going out on a limb yesterday by publishing his own rather eccentric version of InterCity's annual results. His motives look simple enough.

BANX Michael Mates will be able to spend longer with Asil Nadir's family

MP

By defying the new (and entirely commendable) accounting standards adopted by the British Railways Board, he has created the illusion that his profits have gone up instead of down. But what on earth can have been going through his mind to make him think people would fall for such

a ploy? Unfortunately Observer was unable to ask him because he had gone on holiday to Turkey, leaving Sir Bob Reid, BR's hapless chairman, to sort out the mess Let us hope it is a long and restful break, and that Green comes back more like his old self. Heaven

knows, privatisation poses enough problems for BR without one of its most respected and influential managers going off the rails.

#### Hanson melody Don't call us, we'll call you.

Hanson's latest communications gimmick was the transatlantic conference call organised yesterday to broadcast news of its \$3.2bn While waiting for the 15-minute "informational presentation" to begin, the 150 listeners in the US

and the 92 in the UK were entertained with a jazzed-up rendition of Somewhere over the rainbow. Whether the encore will he

Pennies from heaven or pie in the sky, must remain to be seen.

#### Hot tip

However much the sun may shine on Britain during the rest of the present summer, certain of the Church of England's more traditionally minded members must be banking on a far sunnier one next year.

The reason lies in their belief about the Almighty's attitude to the controversial Bishop of Durham, David Jenkins, who in his past days as a professor of theology has waxed a touch sceptical about the virgin birth

and the resurrection. Three days after he was consecrated as bishop in York

Minister in 1984, the building was stuck by lightning and badly damaged by fire. The traditionalists decided it was a sign of God'a disapproval of the appointment

If so, with the 68-year-old Jenkins under notice to retire in 12 months time, heaven should surely turn on the heat benignly in celebration.

#### Out of order

■ Britain's coppers might see BAT chairman Sir Patrick Sheehy as taking a liberty in proposing an end to the tradition of jobs for life for the men and women in blue. Although other ranks in BAT tend to retire at 60, the 62%-year-old Sheehy has already twice delayed his departure after 43 years with the company and means to hang on for two or three more.

#### Approach with care

■ Notice to mariners. If the bank balance is running low it might be worth giving Salterns Marina in Poole a wide berth. It has been identified as the country's most expensive yacht marina by the Royal Yachting Association. It charges £3,589 a year, plus harbour dues, to moor a 30-foot yacht, which is nearly 50 per cent more than it costs to reserve a space in one of NCP's city car parks. Salterns' managing director John Smith is unrepentant about his charges. Everything about this place is quality" he told Lloyd's list. "We have five gold anchors....

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THE RESIDENCE OF THE STATE OF T

Eddie George cites potential for economic expansion throughout 1990s

## New Bank head sees UK upturn | Hanson's Quantum theory

By Peter Norman in London

BRITAIN HAS the potential for an economic recovery that could continue through the rest of this decade, according to Mr Eddie George, the new governor of the Bank of England.

In an interview with the Financial Times, Mr George said the UK has a "realistic chance of see-ing rather well sustained expansion", although he admitted that the start of the recovery would be gradual hecause of the large overhang of debt in the private

While making clear his doubts about the European Community's plans for economic and monetary union, Mr George, who became governor today, said he believed Britain would be able to meet the convergence criteria laid out in the Maastricht treaty over the Maastricht time scale

His remarks suggested that the UK's ratio of annual hudget deficit to gross domestic product

By Nancy Dunne in Washington

US-MEXICAN relations were

jeopardised yesterday after a US

federal court ruling which effec-

tively blocks approval of the

North American Free Trade

Mr Charles Richey, a US fed-

eral judge, yesterday blocked congressional passage of the North American Free Trade

Agreement until the Clinton

administration submits an envi-

ronmentai impact statement, a procedure which can take

Although the decision can be

appealed to a higher court, that

legal process is also time-consum-ing, and the US, Canada and

Mexico have little time to spare if they are to implement Nafta as

scheduled by January 1 1994. The judge ruled that Nafta vio-lated the National Environmental

Policy Act. in a 23-page decision, he said that Mrs Carla Hills, the

former US trade representative, and former president George

Agreement this year.

months or years.

would fall to 3 per cent of gross domestic product by the end of the decade from about 8 per cent projected by the Treasury for this financial year, and that Britain would have an inflation rate in line with the best performing EC member states at the end of the

However, Mr George admitted that "we could always throw it away, either through policy errors or in the economy at large through bad behaviour". But he said he believed that Mr Kenneth Clarke, in describing himself as a "political chancellor", would pursue "prudent policies which offer the best chance of achieving sustainable recovery and sustainable

expansion". Mr George told the FT that he was content with the current level of UK interest rates and sterling's exchange rate. But yesterday afternoon, when

giving testimony to the House of Commons Treasury and Civil Sarvice Committee, he aaid

over environmental impact

Bush had violated the Adminis-

trative Procedures Act hy negoti-ating and signing the treaty with-

out first assessing the impact on

The environmental policy act

requires an impact statement for

every recommendation or report

on proposals for legislation and other major federal actions sig-nificantly affecting the quality of

The judge said: "Nafta will

have significant environmental

effects and...may worsen the environmental problems already

existing in the United States-

Mexico border area. The defen-

dant bas ignored the clear lan-

guage and the legislative man-

date of the [act].

The suit was brought by three environmental groups - Public Citizen, the Sierra Club and

the buman environment".

the environment.

"some weight" could be taken off further than in his FT interview in outlining the greater auton-UK interest rates if the governomy that he would like for the ment succeeded in cutting its public sector borrowing require-Bank of England. ment from the current level of

£50bn a year. He added that

another factor that would "tend

to ease pressure" on British

interest rates would be a fall in

Mr George told the FT and

admitted to MPs that there were

cases in the past when the tactics

aurrounding UK interest rate

changes had been determined by

political rather than monetary

policy considerations. The results had been damaging for the UK economy "for a little while".

He indicated that the differ-

ences had not been so serious as

to cause the Bank to "make a

song and dance" about the mat-

In his comments to the Com-

mons committee, Mr George

promised that the Bank would be

more open to outside scrutiny

under his governorship and went

scious consideration of the envi-

ronment. This is a defining moment for the future of trade

A member of the Sierra Club

estimated that it would take six

months to a year to complete an

environmental impact statement. Another environmentalist said

the ruling would actually belo

the Clinton administration, giv-

ing it a rationale to delay introd-

ucing an unpopular trade agree-

However, the judge let the administration off lightly noting

that Nafta was negotiated by Mr

Bush and Mrs Hills and thns this

lawsuit "should not be construed

as a failure of the present admin-

The Bush administration and

its successor had argued in court that the requirements to submit

conduct foreign policy.

agreements".

German rates.

He said he would favour the Bank being given a "mandate" from parliament which would set price stability as its objective and give it the tools to achieve this through the setting of short-term interest rates. But the Bank would have to be

made accountable to parliament and he was reluctant to define how this should be done. However, greater accountability would make it easier to identify those responsible for economic policy errors in the UK, he said.

The hearing in the Commons also threw more light on the role that Mr Rupert Pennant-Rea would play as deputy governor of the Bank. He said he regarded Mr Pennant-Rea, who until recently was the editor of the Economist magazine, as "a co-governor".

Steady hand at the helm. Page 17

# says Fiat

Continued from Page 1

cial statements since the total is no more than 0.024 per cent of consolidatad stockholders

In this respect, Mr Agnelli yes-

his job. Defending the hehaviour of around 20 executives in six companies which are involved in inquiries into corruption by mag-istrates, Mr Agnelli said: "Our managers claim they were ohliged to make such payments to prevent their companies from being forced out of the market or

Mr Romiti claimed that when Fiat's involvement became clear a meeting of the group's 40person co-ordination committee

# paid bribes

way affect reliability of our finan-

be jailed while being interrogated on charges of alleged corruption. Mr Mattioli was paraded to the press to underline the point that

to avoid harassment in the course of the public works or

supply contracts."
This repeated the defensive

the extent of his suspicions of the level of corruption practised in Italy. But he conceded be had always had some reservations about Cogefar-Impresit, the

Mr Cesare Romiti, the group's chief executive officer, also gave a robust defence of his own role in the corruption affair.

### Latour

**Continued from Page 1** 

£147m (\$220m) foreign currency loss in 1991. The focus switched to International growth brands and improving return on assets. Despite its prestige, Latour

yielded profits of only £5m a year. The purchase price values it at little more than half its estimated value two years ago. Allied, which has been associated with the vineyard for over

30 years, emerges from the deal with a small profit. It became the majority shareholder in 1988 when it paid £58m for the 53 per cent stake held hy Pearson. owner of the Financial Times.

### Pensions directive scrapped

FT WORLD WEATHER

that the directive contain no restrictions on currencies at all but should instead require "prudent" investment.

in particular had objected to rules allowing fund managers to select a custodian for assets out-

assets by requiring them to stay physically near-by.

the insurance and pension funds section of the EC's internal markets and financial services division, said that it was hoped that some compromise could reached this autumn

#### Friends of the Earth. environmental impact statements Mr Michael McCloskey, chairdid not apply to free trade agreeman of the Sierra Club, said: They said it would also inter-"This critical decision means fere with the president's duty to trade agreements can never be negotiated again without a con-

istration"

One stumbling block appears to have come from the Dutch government which sought to exclude its ABP civil service pension scheme from the directive. The fund, by far the Netherlands' largest, is only allowed to invest up to 5 per cent of its assets ahroad and the Dutch government feared the directive could prompt quick disinvestment in

#### Continued from Page 1 local markets. diversification rules did not go far enough. Britain had urged

side the country. Arguments put forward by the French were that pension schemes needed to reassure themselves of the safety of their

Mr Humbert Drabbe, head of

## US court blocks Nafta deal Agnelli

terday showed his full faith in Mr Francesco Paolo Mattioli, the chief financial officer and one of the two most senior executives to is prison spell had not affected

line of most industrialists caught up in the corruption scandal they were not the corrupters but

group's construction arm.

earlier this year the scale of was called and a new ethical code

**Europe today** 

A small area of high pressure over Denmark will cause light winds over the North Sea countries. There will be abundant sunshine over the Low Countries, Germany, and the south of Scandinavia. Afternoon temperatures will climb as high as 23-27C. Norway and parts of Sweden will face a cloudy day with local outbreaks of light rain. An active frontal disturbance approaching the Hebrides brings in rain over Scotland and Ireland. Over the northeast of Spain, France, and the north of ttaly, showers will develop, some of them accompanied by thunder. Sun and tropical heat still predominate over the Mediterranean and bordering countries. Showery, conditions prevail around a depression over west Russia Thundershowers may develop over the Ukraine and locally over Turkey.

#### Five-day forecast

From tomorrow, a westerly airflow penetrates into the North Sea area. As a result, conditions will become less settled, especially over northern regions. Increasing high pressure over France and the Alpine states will suppress shower activity over central Europe from Saturday. The heat in Spain and Portugal will become more intense. It will remain changeable in eastern Europe.



Reidavik Riyach Rome S' Francisc Seout Singapore Stockholm Strasbourg Sydney Tel Aviv Tokyo Toromis Tunia Vancouver Venice Vierna Wasaw Washington Wellington

THE LEX COLUMN

It is perhaps an indication of Hanson's stolid mass that a \$3.2bn deal will have a modest impact on the company's prospects. It is also a mark of the caution in takeovers that agreed deals with appropriate due diligence are the model for the 1990s. Hanson's claim that Quantum will be mildly earningsenhancing in 1994 looks reasonable given reduced interest costs and the improvement in operating profits which was expected prior to the deal. That said, the petrochemicals market remains flercely competitive and further consolidation is required, as Quantum's hard-pressed position showed all too well. Yet even if Quantum's earnings double in 1995, and Hanson's rating remains unchanged, the acquisition will add less than 10 per cent to the value of the group.

The constraint on Hanson'a ability to complete a very large deal is shown by the strain on its balance sheet. Gearing was 18 per cent at the last year end, but if the current transaction is completed in time to be consolidated, gearing will rise to over 80 per cent this year. In part that reflects the rise in the dollar, and interest cover is more than adequate. Nonetheless, a deal which would have had a substan-tial impact on Hanson's prospects would in all probability have pushed gearing to unacceptable levels.

Disposals thus seem likely, and it may be that smaller businesses in the US or even Quantum's propane retailing operation will be put on the block. For the foreseeable future, however, Hanson is stuck with organic growth and bolt-on acquisitions. A cyclical upturn would help, but it is all a far cry from the gung-ho raiding of the

UK gilts

The cover at yesterday's gilts auction was tha lowest since January 1988, but the market was quick to overcome initial disappointment. For the time it seems determined to look on the bright side. Including funding carried over from 1992-93, the anthorities have raised over £20bn so far this financial year, of which nearly £6bn has come in June. The speed with which demand revived as the market fell yesterday suggests an appetite for more despite the recent fall in yields. The Bank is so far ahead that it can afford to slow the pace of its borrowing substantially if it chooses.

With hindsight it could even be argued that low cover was a sign of how confident the market actually is.

FT-SE index: 2900.0 (+14.0) Share price relative to the FT\_A AIL-Share Index

may have deterred bargain hunters from making rogue bids. Such arguments advanced after the event, though, hegin to smack of compla-cency. With so many gilts to sell, the authorities need the help of overseas buyers. They in turn must have some confidence in sterling's exchange rate and a reasonable yield premium over alternative paper.

The message from yesterday is that there are still enough international investors who feel comfortable even with sterling at a rate around DM2.55. But the yield differential between gilts and German bunds has shrunk to little more than 100 basis points, which starts to look tight. The markets have treated Mr Kenneth Clarke kindly so far, but he does not have much room for error. Just £350m fewer bids out of yesterday's £3.56bn would have left the auction uncovered. One wonders how quickly the market would then have regained its poise.

The travails of technology companies around the world from IBM to Philips and Olivetti go some way to justifying the caution of Lord Wein-stock and GEC. Consumer electronics and basic computing have become. cut-throat commodity husinesses. GEC's refusal to expand into such markets earned it many critics in the late 1980s; it now looks more sensible. Meanwhile the traditional focus on cost reduction has cut working capital hy a further £176m in the year just ended, albeit helped by advance customer payments.

Of the main operations GEC Alsthom, the power generation and trans-

port joint venture has exploited world-wide demand for combined cycle gas equipment. Admittedly it is low margin business, but potential for expansion in Asia compensates for that. Defence has increased its order book by 9 per cent despite cuts in western nce budgets. Telecommunications bas suffered from the reduction in BT's capital programme, but even this division will benefit in future from System X upgrading and more sophisticated software development.

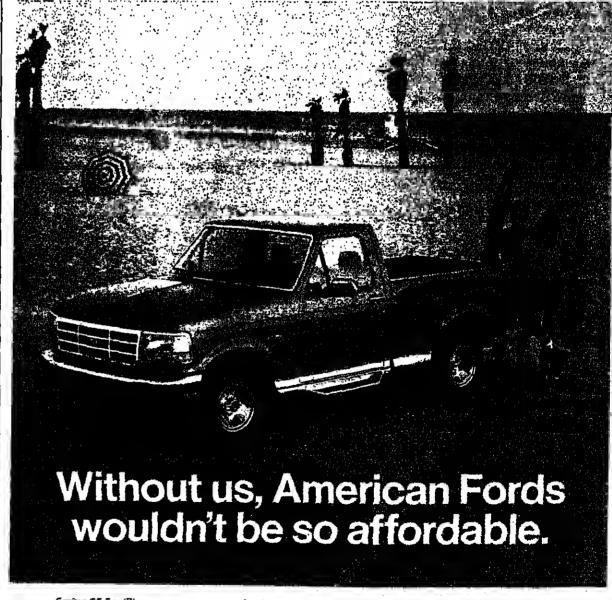
GEC has shifted away from its dependence on the UK government and is also moving towards less capital intensive manufacturing areas. It atands a better chance of earning good margins in such businesses as air traf-fic control and medical systems. The market has markedly changed its view on the company despite the predict-able earnings track. Yet GEC's capacity to capitalise on its current position will still depend on its political access to governments worldwide. That can never be fully guaranteed.

#### British Rail

At last, British Rail has chugged into the modern world of accounts by ascribing a balance sheet value to its track and signalling infrastructure and depreciating it over its economic life. InterCity grumbles this rather spoils its figures but the change only hrings BR into line with standard practice elsewhere. It is necessary to put a commercial valuation on BR's assets even if the government's plan is for piecemeal privatisation. Only then will would be buyers be able to see what individual parts are really worth.

BR clearly could not become a viahle private sector business as It stands. An operating margin of 0.4 per cent on a turnover of £3.1hn before revenue grants is unlikely to attract any investors. In the government's scheme, BR will be fragmented into some 50 pieces and the best hits pointed towards the private sector.

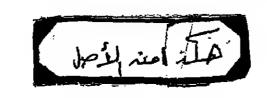
Here, crude cash calculations will be the most critical factor, BR's accounting changes give the appearance of fattening up profits. Paradoxically, though, the less profitable that individual operating units are, the greater their attractions may be. Providing the government concedes large, con-tinuing subsidies to such franchises, a higher level of fixed income would accrue to their owners. By cutting costs, private sector operators might



Saving \$5.5 million per year on car production costs is significant, even if you are the Ford Motor Company. Bundy, which supplies Ford with fuel and brake line systems, partnered Ford's Materials Group in a North American cost efficiency study. One result was Bundy's proposal of a new anti-corrosion coating for its systems which would be both more effective and less expensive. Tests validated the coating and the Ford Motor Company saved millions of dollars in the first year. Bundy in consequence received a special Ford Award which ranked it third of Ford's 2,000 suppliers for accepted cost savings in 1992. Bandy is one of TI Group's three specialised engineering businesses, the others being Dowty and John Crane.

Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.





#### **FINANCIAL TIMES**

## **COMPANIES & MARKETS**

**OTHE FINANCIAL TIMES LIMITED 1993** 

Thursday July 1 1993

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SCOTLAND 0738 25031

#### INSIDE

#### Audi driven into DM198m loss

Audi, the German carmaker, siumped into a DM198m (\$117m) pre-tax loss in the first six months of this year as turnover tumbled almost 30 per cent to DM6bn. Global sales fell 26 per cent to 198,000 cars. Page 20

#### Fiat plans self-offs to cut debt

Flat, italy's largest private group, plans to raise up to L3,000bn (\$1.9bn) this year in asset sales to off-set the cost of rising debt and the prospect of a 1993 operating loss close to L1,000bn. Page 20

#### Westinghouse names new head Westinghouse Electric, the troubled US conglomer-

ate, has named Mr Michael Jordan, a former head of international operations at PepsiCo, as its new chairman and chief executive. Page 22

### HK analysts see Murdoch's return

Mr Rupert Murdoch is unlikely to shelve plans for an alliance with Hong Kong's Television Broad-casts (TVB) even though his bid to acquire 22 per cent of the company has run into regulatory diffi-culties, according to local media analysts. Page 23

#### Queueing up for take-off

The 1990s seem an unlikely time to start up an airline business but the US Department of Transportation calculates that 15 new airlines came on stream in the US in the year to April and another 20 applications are in the pipeline. Page 23

ICI, the chemicals group, is calling for a restructuring of Europe'e struggling polyurethanes industry and says it is prepared to participate. The market is struggling from a combination of over-capacity, falling demand and tumbling prices. Page 28

ICI calls for industry restructuring

#### Hartstone stuns the City

Hartstone, the hosiery and leather goods group which has issued three profits warnings in recent months, has stunned the City with £31m (\$46.5m) above the line costs, forcing it into pre-tax losses of £9,86m for the year, "The figures were a shambles," said one London analyst. Page 28

#### RTZ sells US interests

RTZ Corporation, the world's biggest mining group, has sold the three gold and silver mines it acquired in February when it made a \$470m move into the US coal business. Page 31

#### Soyabeans rally in Chicago

The heaviest US rainfall in 30 years is trimming harvest prospects of malze and soyabeans. At the Chicago Board of Trade, soyabeans for harvest-time delivery have railied 12 per cent since June 15. Page 32

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### Chief price changes yesterday

Rises	frame.			EBF	645	+	55
Paga	152		6	Eridanie B-Say	779	+	60
Page.	100	•		Paris Reescents	375	+	18
Dairnier-Bass	613.8	_	7.9				
GENE	330.5		6.5				9.9
Auchantriolifectos	309	_	5.5	Club Mediter	358	-	
Volksween	362.5	-	7.7	Geumont (Socié)	490	-	20
MEW YORK	3)			TOKYO (Yen)			
Place			16	Rises			
Amer Express	31%		*	Mhon Saller	510	+	30
Gliette	54% 18%		694		770		50
Chartes Chem	1970	+	9/4	Toho Bank	_	-	90
Felle	29%	_	3%	Tolari Back	1480	+	
CompUSA	861/4		216	Towe Electron	600	+	60
Euron	47%		*	Falls			
PARIS (FFr)			•	Michighi Heavy	710	_	20
Rises					322	_	28
ACF	580	٠	13	Shows Mining	O.E		-
New York pric	es at 1	230					
LONDON PO	nce)			Felis			
Pices AM.	185	+	10	Balam (J)	279	-	24
Amber ledi	485	÷	30	Brooks Service	58	-	7
Backon Har	91	+	5	Clyde Blowers	633	-	37
Python .	105	+	5		80	_	7
Gree Accident	523	+	19	Cornec	439	_	27
Gratemar Dev	126	+	25	Domino Print	117		īi l
Hoteland Dist	338	+	10	Exerest Foods	-	-	"
Monday (D	111	+	б	Gardner (DC)	45	-	7 (

Hed & Scot Res

FERRUZZI Finanziaria, the finances after a special shareholders' meeting planned for August 31.

The assembly, announced at Ferfin's annual general meeting yesterday, will formally write down the debt-laden group's capi-

A nyone who thought Han-son was settling into sedate old age was

swiftly disabused yestarday.

Lords Hanson and White may be

getting on in years. But as their \$3.2bn bid for Quantum Chemical

shows, they are still good for a

In hidding for Quantum, one of America's biggest bulk petro-chemicals makers, Hanson is tak-

ing on a hugely indebted com-

pany in a wickedly cyclical

industry. Bulk plastics prices

have plunged in the recession. In the past two years, Quantum has made net losses totalling \$411m.

Its net worth is minus \$471m.

Hanson, with no previous experi-

ence of petrochemicals, is betting the cycle is about to turn up. If the gamble sounds heroic,

Hanson is shortening the odds in three respects. First, it is paying

Hanson shares for Quantum's

equity, valued at \$720m. Second,

it will refinance Quantum's

\$2.5bn deht mountain at much

Hanson has worked this tactic

before, in taking over the simi-

larly over-borrowed aggregates

and househuilding company Bea-zer for £25im (\$526.5m) two years ago. Quantum; Hanson said yes-terday, is paying rates of more

than 10 per cent on its debt. "We

currently borrow at less than

half that rate," Hanson said. The

net effect, it claims, will be a

saying of \$125m in the first year.

Third, Quantum has just invested \$1.5bn in new plant.

This gives Hanson crucial breath-

ing space. Highly capital inten-

sive industries such as petro-

chemicals can generate cash even

while recording losses. This is especially true if, as in Quan-tum's case, there is the prospect

of an investment holiday for the

But the real prize would come

if the cycle turned up. Last year,

Quantum made operating profits

of just \$61m on sales of \$1.2bm. In

1988, at the peak of the cycle, it

made operating profits of \$760m.

Hanson calculates that every

cent per pound on the price of

polyethylene adds \$35m-\$40m to

next few years.

lower rates.

tal after last year's consolidated write-down if a company's losses losses of L1,667bn.

Mr Carlo Sama, Ferfin's outgo ing managing director, told

of an impending rights issue. triggered a record low in Ferfin's share price with a 10.3 per cent

exceed two thirds of its shareholders' funds. Approval for the write-down will almost certainly be followed by a capital increase. The rights issue is likely to for-

malise the position of Fertin's five main creditor banks, which now effectively run the group.

ing off the trick again?

20.5 per cent market share.

However, the ontlook for linear

low density polyethylene (LLDPE) and high density poly-

ethylene (HDPE) is far grimmer.

The two markets are closely

linked because many US plants

are capable of switching produc-

producer of HDPE, with capacity

of about 776,000 tonnes a year.

and about 14 per cent of the US

market. It is also the third largest

US manufacturer of LLDPE with

capacity of about 300,000 tonnes a

year and about 16.5 per cent of

Analysts believe there is not a

single manufacturer of HDPE in

the US making money at the

moment. From a peak of about 45

the US market.

Quantum is the second largest

tion from one to the other.

particular to Asia.

respectively.

holders' meeting.
The banks, which could con-

vert soma of their debt into equity, yesterday began to take a bigger role at Ferfin with the confirmation of Mr Guido Rossi and Mr Enrico Bondi, two bankappointed executives, as Ferfin's chairman and managing director

The appointments were accompanied by the resignation as chairman of Mr Arturo Ferruzzi, son of the group's founder, Mr

of the founder's daughters, also atepped down as deputy chair-

will remain in place until the special shareholders' meeting, after which it is expacted to be

man and managing director, although he remains on the Ferfin announced the appoint ment of a slimmed-down 15-per

son board, largely composed of existing members. The new board

Abandoned grandeur, Page 20 Tony Jackson and Paul Abrahams report on UK conglomerate's bid for Quantum

> This follows his sale of 9.5 per cent of Newmont to a banking consortium for about \$290m on May 11 and the deal on April 23 which sparked off the present

> another high-profile financier. Sir James used some of the proceeds from that deal to huy call options in the gold market. This helped push the gold price to close at \$378.25 in London yes-

was above \$52. Sir James paid \$1.1bn cash or \$39 a share when he and his friend Lord (Jacoh) Rothschild swapped timber assets for the Hanson conglomerate's 49 per cent shareholding in Newmont in October 1990. When the public offering is completed, Sir James's investment vehicle General Oriental will retain 5 per cent of Newmont and Lord Rothschild's RIT Capital Partners, which is to contribute 1.16m Newmont shares to the offering, will have 1.5 per cent.

purchase has returned about \$50m in dividends In the 21/2 years, an annual yield of 1.5 per cent. It is unlikely the financiers will net more than \$1.2bn from share sales so far.

drive gold above \$400 an ounce. will be sold in the US and 2m offered internationally.

## Ferruzzi plans big rights issue

By Haig Simonian in Rayenna

Italian holding company saddled with total horrowings of more than L31,000bn (\$20.2hn), is expected to launch a big rights issue to recapitalise its shaky

shareholders that Ferfin's high debts and heavy interest charges had resulted in a LA91.6bn loss for the parent company in the first five months of this year. The news, combined with fears

fall to L447.1 in Milan. Italian company law requires a

profits. "We know that patience is required," Mr David Clarka, chief executive officer of Hanson

Industries in the US, said yester-

day. "But we would rather get in

while wa have a chance to huy

The target's US position

Law density

potyethylene

. polyethylene

High density

polyethylene

Acetic ecid

Vinyl acutate

Hot mett resins

Source: Quantum

Wire and cable resins 2 20

Colour concentrates .2 . 20

Though Hanson is new to the

world of petrochemicals, it has

plenty of experience of the bulk chemicals cycle. In 1985 Hanson

acquired the US conglomerate

SCM, the world's third biggest

producer of the chemical pigment

titanium dioxide. Hanson bought

SCM at the bottom of the cycle. It

then sold off the rest of the com-

pany, thus getting the titanium dioxide business almost for noth-

ing. Then the cycle turned up.

and in the late 1980s Hanson prof-

market mark share (%)

1 20.5

3 16.5

2 13.7

2 20

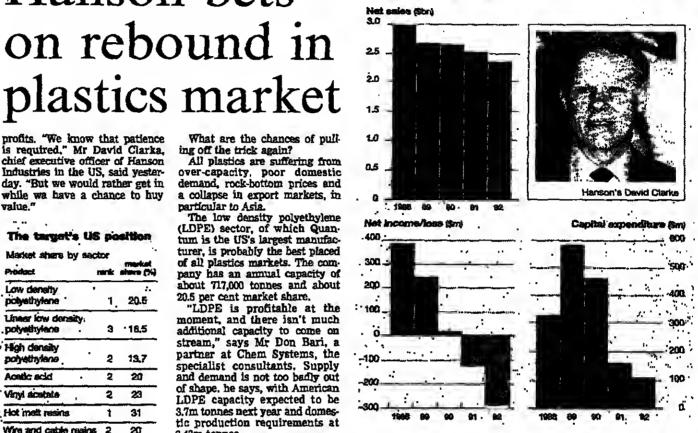
2

Hanson bets

Earlier this month. Ferfin and members of the controlling Ferruzzi family called on the five banks to prepare a rescue package, which should he ready

shortly before the special share-

#### Quantum Chemical



cents per lb in 1990, prices have nlummeted to 28 cents. Recent attempts to raise them have been

The market is unlikely to recover until 1996 at the earliest. But it could be further undermined hy two new plants due to come on stream in the next 12 months, a 250,000 tonnes a year plant owned by Formosa, and a 225,000 tonnes complex huilt by Himont. A further 650,000 tonnes of LLDPE is due to come on stream when a Unipol plant is

completed in about 1995. New York analysts gave the deal their cautious approval yesterday. Mr Paul Raman, of SG Warburg, said: "Fundamentally, this appears to be a good deal for

hoth companies." Hanson, he suggested, might float off the Suhurban Propane husiness for \$400m, sell the Texas ethylene plant for \$700m and shed the rest of the non-polyethylene business for \$625m.

It would be surprising if Hanson has not done sums along these lines. But the key point remains the timing of the chemi-cals cycle. In buying Beazer, Hanson was taking a similar punt on the aggregates cycle in the US. So far, the results have been meagre. Given the higher stakes in the Quantum deal, there is less margin for error this time.

Additional reporting by Karen Zagor in New York.

### Order growth and cost cuts help GEC advance 4.1%

STRONG growth in orders for turnines and trains coupled with careful cost control helped GEC, the UK industrial group, push pre-tax profits to £863m (\$1.2bn)

last year, 4.1 per cent up on 1992. Lord Weinstock, GEC manag-ing director, expressed pessimism about the immediate and medium-term prospects for the UK economy. "Nothing much is going to happen. Even when the recession ends, it will never get back to where it was. Politicians, are doing their best to damage confidence in investment."

Trading conditions both in the UK and overseas, where the company had 67 per cent of sales, were poor. Turnover fell to £9.41bn from £9.43bn, while operating profits slipped to £702m,

March. Earnings per share rose facturing base is now unfortunearly 6 per cent to 19.7p.

An increased final dividend of rapid reversal of our large 10.3p, up 7.3 per cent.

The figures were broadly in line with analysts' expectations. The market judged the results to be sound hut unexciting and the stock gained 1p to close at 339p. Lord Prior, GEC chairman, said the company was investing heavily in the Far East and sonth east Asia and had won big contracts for power generation plant and other equipment in China, Malaysia, Hong Kong and Indon-

The UK government was showing more willingness to back its exporters through export credits in the style to which the UK's principal competitors were accus-tomed. "This change is to be wel-

7.62p makes a total dividend of adverse balance of payments. To do this, consistent and supportive policies are required over a period of years."

The company closed the year with net cash of £1.2bn, a £415m increase In addition, the group's share of net cash in joint ventures and main associated companies was £985m, giving total cash of £2.18bn. Interest income was £149m. 42 per cent up despite lower rates. The year-end order book stood at £12.3bn, 16 per cent

About 9,600 jobs were shed during the year, reducing staff costs 7 per cent. Redundancy and restructuring amounted to £90m, £25m more than before. Lex, Page 18;

## comed, although Britain's manu-

also one of its most disappoint-

The cover - the ratio of offers to accepted bids - at the Bank of England's auction was only 1.1, the worst level for five years and well down on the market's fore-

Long gilt futures at first fell sharply. However, the market's faith in UK economic trends, in particular low inflation, helped prices to more than recover the lost ground. This enabled the Bank of England to announce another £800m of 9 per cent gilts due 2008 in the late afternoon. The low level of hidding iniyields might have to rise to enable the government to meet its £50bn borrowing requirement

well advanced with its fund raising. In the first three months of the year it has borrowed £19.5bn. Yesterday's auction of 8 per cent gilts due 2003 was targeted

at overseas investors who prefer 10-year bonds. Overseas buyers, particularly from Japan, have heen piling into UK gilts recently, attracted by low inflation, slow recovery and a strengthening pound. But sterling's recent rally against a number of European currencies has diminished the opportunity for currency gains.

Mr Andy Tweed, a gilts special-ist with BZW, said: "The market

sweets before the main meal." price and the average bid price. Mr George Magnus, economist

with SG Warburg, said: "It was very disappointing, especially after the flurry of overseas buywhy people have wanted to buy have not changed."

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE LOAN DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE

ISSUE OF £1,000,000,000

### TREASURY LOAN 2008

On issue

On 9 August 1993 On 2 September 1993

£30.00 per £100 nominal of the Loan £35.00 per £100 nominal of the Loan £43.75 per £100 nominal of the Loan

£800,000,000 of the above Loan has been issued to the Bank of England on 30 June 1993 at a price of £108.75 per £100 nominal of the Loan; a further sum of £200,000,000 of the Loan has been reserved for the National Debt Commissioners, The Loan will be repaid at par on 13 October 2008.

Interest will be payable half-yearly on 13 April and 13 October. The first interest payment will be made on 13 October 1993 at the rate of £1.6368 per £100 of the

Application has been made to the London Stock Exchange for the Loan to be admitted to the Official List; dealings in the Loan are expected to commence on Thursday,

Copies of the notice in lieu of prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange in the United Kingdom.

BANK OF ENGLAND LONDON

30 June 1993

### Goldsmith sells more Newmont shares

By Kenneth Gooding, Mining Correspondent

SIR JAMES Goldsmith, the semi-retired international financier, is for the second time taking advantage of the recovery in the gold price he helped to stimnlate, hy selling another sub-stantial part of his shareholding in Newmont Mining, North America's biggest gold producer. At yesterday's price, the public offering of a 12.5 per cent stake Newmont would bring in \$440m.

gold price surge. On that occa-sion sold a 10 per cent Newmont stake to Mr George Soros,

terday, a rise of 16 per cent since

January. Mr Soros paid \$39.50 for each Newmont share; the banking consortium re-sold its stake at \$45.50 and yesterday the price

Analysts suggest the Newmont

Sir James, who says gold will

have its day again because the world's banking system is in a mess, said GO would invest most of the proceeds of the offering in physical gold and hold more gold than cash. Analysts suggested if Sir James used half the proceeds to buy call options this could Salomon Brothers, Lezard Freres and Smith Barney Harris Upham are managing the underwriting of the public offering. Some 7.65m Newmont shares

## Demand shaky at gilt auction

By Peter John in London

THE UK government yesterday carried out its biggest ever borrowing exercise, but the auction of £3.25bn (\$7.5bn) of gilts was

cast of at least 1.5.

tially raised concern that gilt remaining appetite to some yields might have to rise to extent sated by three small taps for 1993-94, pushing up costs.

The government is, however,

Demand has also been checked by a rise in gilt prices, with Bonds, Page 24; Lex, Page 18

last week, totalling £850m, and some unofficial gilt selling.

has been pigging itself with Most economists were surprised by the low cover and the unusually large "tail" - the gap between the lowest accepted bid

ing that the market has seen for the past couple of weeks. But the fundamental economic reasons gilts over the past two weeks

### Audi prepares for 'hard work' after DM198m loss

in Frankfurt

AUDI, the Volkswagen group's luxury car division, slumped into a DM198m (\$117.1m) pretax loss in tha first six months of this year as turnover turnbled almost 30 per cent to

"With a lot of hard work" the company hoped to return to the black by the end of the year, but this would depend on the state of the market, Mr Franz-Josef Kortüm, chairman, told the annual meeting.

German sales are already down 20 per cent, and the motor traders' association said earlier this week that it expected new domestic registrations to fall 23 per cent for the full 12

Mr Giovanni Agnelli, president of Fiat, warned yesterday that total industry car deliv-eries in Europe would fall 16 Meanwhile, Audi's share of

Ratners cuts

new name

By Maggie Urry in London

losses, chooses

the home market has shrunk from 6 per cept a year ago to 5.6 per cent.

Employing 3,000 fewer workers than in the first half of 1992, and after 32 days when production was stopped in its two main factories, the company reduced output in the period under review by almost 32 per cent to 174,000 vehicles. Global sales in the meantime

fell 26 per cent to 198,000 cars. The difference between output and deliveries was due to heavy inventory reductions, Mr Kortüm explained. Commenting on the deficit

after a DM315m profit in the comparable part of 1992, Mr Kortüm said demand was especially strong a year earlier because of the brand's new

The market was also still being driven by the post-uni-fication boom which stopped abruptly last summer to be followed by a sharp dive into

The VW group earlier this year reported a first-quarter loss of DM1.25bn following Germany's plunge into recession in the second half of last year. Before the summer break, the German car market was still being strongly driven by the effects of unification.

• The fruits of a joint production venture between Audi and Porsche, the sports car maker. will be shown at the international motor show in Frankfurt in September, the two companies have announced.

Production of the new vehicle, based on the Audi Avant S2, will start early next year in Porsche's Zuffenhausen factory and profits will be sbared equally between the partners.

The project demonstrated a naw form of co-operation between two independent vehicle makers, the companies said. Porsche is controlled by the family of Mr Ferdinand Piëch, the VW chairman.

### Ex-head of Skanska finance unit jailed

By Hugh Carnegy in Stockholm

RATNERS, the jeweilery retailer, which last November lost Mr Gerald Ratner, its one-time chairman and chief executive, yestarday reported reduced losses and a two-year refinancing agreement with its Pre-tax losses were £40.1m (\$60.15m) down from £122.3m. Ratners also announced it

Mr Ottosson, 37, was suspended as president of was changing the company name - but not the sbops - to Signet Group. However, Mr James McAdam, chairman, said that trials of new formats would include experiments with different name

The group blamed the weak economic environment for its failure to meet sales and profit targets in the year to January. In the US, better second-half trading hed caught Ratners sbort of stock.

Ratners shares rose 3p to 351/2p and are up from a low of 11p this year. Observer, Page 17

MR LEIF Ottosson, former bead of the financial subsidiary of Skanska, Scandinavia's biggest construction and property company, was jailed yesterday for one year by a Stockholm court on charges arising from a SKr518 (\$66.4m) loss incurred by Skanska last year on foreign currency dealing.

Skanska Kapitalforvaltning last August when the loss came to light. His speculative spree helped precipitate the

ASSURANCES Générales de France (AGF), the French insurer, has resumed negotiations with Banesto, the Spanish bank, over the proposed merger of Union y El Fenix (UFE), a subsidiary of Banesto, with AGF Seguros, a Spanish

Hakansson as chairman and chief executive of Skanska. Skanska accused Mr Ottos-

The police were called in and Mr Ottosson was aventually convicted on charges of breach of trust. The currency loss contributed to Skanska's SKr3.53hn loss last year.

arm of the French group. writes Alice Rawsthorn. The two sides broke off negotiations in late April,

resignation of Mr Lars-Ove

son of illegal currency specula-tion during the summer when internal security measures were not fully enforced due to the absenca of other senior executives on holiday. It said he admitted distorting reports to the board and changing figures in Skanska's computer.

#### AGF resumes talks on Banesto unit

reportedly after AGF objected to UFE's accounting treatment of its motor insurance subsid-

### France Télécom bucks trend

with surge to FFr3.3bn

By Alice Rawsthom

FRANCE-TELECOM. state-controlled telecommunications group, hucked the gloomy trend in French industry hy reporting a healthy increase in net profits, from FFr2bn In 1991 to FFr3.3bn (\$570m) last

The group, which claims to be the world's fourth largest telecommunications concern ahead of the UK's British Telecom, saw consolidated sales rise 5.9 per cent from FFr115.8hm in 1991 to FFr122.6bm in 1992.

Operating profits increased by 5.6 per cent over the same period, to FFr30.2hn last

One of the main reasons for the improvement in France-Télécom's performance was the progress of its debt reduc-

tion programme.

The group managed to reduce its net debt from FFr120.6bn at the end of 1991 to FFr111.6hn hy the same stage in 1992. This reduction cut its financial costs from 9.7 per cent of turnover to 8.4 per

France-Télécom said it planned to reduce its debt fur-ther in 1993. Its hopes to meet its target of trimming financial costs to 7 per cent of turnover next year.

The increase in net profits also reflects France-Telecom's productivity strategy.

The group reduced its workforce from 156,100 to 155,800 last year. It also continued its policy of investing 4 per cent

development • Credit National, the French corporate banking group, is considering taking minority stakes in some of the statecontrolled companies due to be sold in the government's pri-vatisation drive. Mr Yves Lyon-Caen, chair-

of turnover in research and

man, yesterday said his group would be particularly interested in striking cross-sharebolding agreements with suitShareholder interest was high at two Italian meetings yesterday

## Ferfin insists on competition

Ferruzzis. Ravenna's most I famous family since the Emperor Theodoric, have hit the headlines in a dynastic decline almost as dramatic as that of their Roman predeces-

"There isn't a family in the world which is rich enough to feed the needs of sncb an industrial heritage," said Mr Carlo Sama, the outgoing managing director of Ferruzzi Finanziaria (Ferfin), Italy's second-biggest private com-

Speaking at the shareholders' meeting in Ravenna, the rich and staid former capital of the western Roman empire, Mr Sama, husband of one of the three daughters of Mr Serafino Ferruzzi, the group's founder, admitted mistakes bad been made in managing the group, which lost L1,667bn (\$1.08bn)

last year. However, indirectly shifting the blame for the troubles to his predecessor, Mr Raul Gar-dini, he insisted Ferfin's spending in the past two years sinca he took control had been "not for grandeur, but to remain competitive on the world scale".



Raul Gardini: indirectly blamed for Ferfin's troubles

The Ferruzzi family, which has been virtually excluded from the group's management, "will continue to give its support in a different way," he

However, in spite of the pomp and glitter associated with the Ferruzzis in their home town, yesterday's meeting was overshadowed by reports that Milan magistrates, who are monitoring the Ferfin rescue on behalf of minority shareholders, had discovered

group's accounts. The magistrates' latest move follows Monday's surprise announcement by Montedison, Ferfin's main industrial subsidiary, of additional losses of

L435bn following a write-down at a little-known Curação sub-

Mr Sama refused to comment on the reports of additional losses. "On this subject I can't help you," he told reporters angrily. Perhaps showing a deree of respect for the Ferruz-

zis at what will probably be the last AGM in which they retain control of Ferfin, fellow shareholders surprisingly refrained from seeking additional information from the board. Ferruzzi maintained that its

officially-declared loss, adjusted in the light of the revised Montedison figure, remained accurate. Observers suggested the division between the company and

the magistrates stemmed partly from differences over Lisson of debts attributed to an obscure Luxembourg-based Ferfin subsidiary.

A company official said the

figure had been included in Ferfin's consolidated balance

sheet which showed borrowings of L31,332bn, as a credit now deemed to be irrecover-

He said the magistrates were possibly investigating whether the money, which Ferfin claims represents a credit to a foreign trading company, might have been used for other purposes, such as payments to

Italian politicians. Mr Sama revealed that Ferfin's sales had risen by 29 per cent to L5,689bn in the first quarter of 1993, while gross operating profits jumped 48 per

cent to L718bn. The sale earlier this year of the Erbamont pharmaceuticals subsidiary would produce an extraordinary gain of about L80hn. Erbamont would also contribute L43bn to group profits for the first months of this

year before the sale. The disposal had helped to reduce Ferfin's net indebtedness by L1,008bn to L14,115bn on March 31. The total effect on Ferfin's finances of the twostage disposal would be a L1,860bn boost through a mixture of additional cash and reduced debts.

Haig Simonian

### Agnelli maps out route for disposals

IAT, Italy's largest pri-vate group, plans to raise up to L3,000bn (\$1.9bn) this year in asset sales to offset the cost of rising debt and the prospect of a 1993 oper-

ating loss close to L1,000bn. The Turin-based automotive group has used asset sales to shore up profits over the past two years. The sale of Fiat's 25 per cent stake in Alcatel Italia. the telecoms group formed largely from its Telettra subsidiary, raised L700bn and belped keep 1992 profits at L507bn despite losses in calming the operations.

But the divestiture target revealed yesterday by Mr Giovanni Agnelli, Fiat chairman, after the company's annual meeting, represents a far more significant disposal of non-stra-

tegic assets.

Mr Agnelli declined to say whether discussions were under way for specific disposals. But he implied Toro, Flat's

line, and said the Rinascente stores group was being courted. He also indicated that Fiat's indirect ownership of Corriere Della Sera, the Milan newspaper held through Gemina, was not a core invest-

Mr Agnelli is due to step down at the next annual meeting after 28 years as chairman. He offered shareholders a bleak view of 1993 results against the backdrop of declining demand in the core vehicle business. In 1992, the antomotive sector eccounted for almost 80 per cent of the group's L59,100hn turnover.

The figures we have for April-May not only confirm the recessionary trend but show it worsening, at least in Italy," Mr Agnelli said. In Europe he forecast a drop of 16 per cent in car sales, 17 per cent in trucks and 12 per cent in tractors. He confirmed analysts' esti-



Giovanni Agnelli: due to step down at next year's meeting

mates of a 1993 operating loss of L1,000bn with revenues "roughly the same as 1992". Mr Agnelli said the group

met from the group's

would invest L8,000bn this year which could not all be

Fiat'a net financial position had reached a deficit of nearly L7,000bn and could reach L10,000bn by the year end. This compares with L3,800bn at the end of 1992 but he insisted the higher borrowing would still be within sound debt-equity ratio limits. His comments were seen as an attempt to allay fears that the company was sitting in a pile of undis-

closed debt. Mr Agnelli hinted that with the coming on stream later this year of the new Melfi plant in southern Italy the recession might force Fiat to reassess the

life of older plants in the north. The group agreed to set aside L244bn to cover a reduced dividend - L100 on each ordinary and preference share and L130 on each savings share against L230 and L260 last year. It assigned L176bn to reserves.

Robert Graham

### INCREASE IN CAPITAL

TYT Bank's Extraordinary General Assembly was held at TYT Finance Centre on June 17, 1993 and it was unanimously decided to increase the nominal capital to 500 billion TL.

Moreover, the first tranch, 87.5 Billion TL has been paid by the Shareholders on June 30, 1993 and accordingly the paid-up capital has been increased from 150 billion TL to 237.5 billion TL.

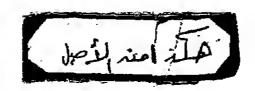
We would like to take this opportunity to thank all our shareholders for their contributions to this increase.



TÜRKÎYE TURÎZM YATIRIM VE DIŞ TÎCARET BANKASI A.Ş.

TYT Plaza, Maslak Meydani, Büyükdere Cad. 37, 80670 Ayazaga, Istanbul TÜRKÎYE





For information only

## SGS Société Générale de Surveillance Holding S.A.

#### **Put Option Issue 1993**

Pursuant to a resolution of 9th June 1993, the Board of Directors of SGS Société Générale de Surveillance Holdiog S.A. has decided to propose to an Extraordinary General Meeting, to be convened for 10th November 1993, a reduction in the share capital of the Company by up to 5%, from CHF 187,441,000 to CHF 178,068,950 (assuming the exercise of all the options). The transaction will be effected by the purchase by the Company, and subsequent cancellation, of a maximum of 468,602 registered shares or 93,720 bearer shares.

To this end, the Board of Directors has decided to grant, to the holders of registered shares and bearer shares, put options giving the right 10 sell registered and bearer shares to the Company.

In accordance with the above-mentioned decision

#### 9,372,050 put options

will be granted to shareholders.

#### Allocation of Options

The options are all to bearer and are allocated, free of charge, on the 1st July 1993, in the following manner:

1 option per SGS registered share of CHF 20 nomical value; 5 options per SGS bearer sbare of CHF 100 nominal value.

For holders of registered shares, option certificates will be sent by the Company for allocation, without cost, to the bank in Switzerland nominated by the registered shareholder as address for the payment of dividend or, if not available, to the address of the shareholder shown in the register of shares. For holders of bearer shares, the options will be represented by coupon No. 28 (each coupon No. 28 representing 5 options) detached from the share certificate. Shareholders who have deposited their shares with a bank will bave their put options automatically allocated in their deposit.

#### **Option Ratios**

? Simula

eri Graham

- a) 20 options give the right, during the period 1st July to 1st October 1993 inclusive, to sell to the Company one registered share of CHF 20 nominal value at a gross price of CHF 460,-, being a net amount of CHF 306.after deduction of withholding tax calculated in the manner shows below;
- b) 100 options give the right, during the period 1st July to 1st October 1993 inclusive, to sell to the Company one bearer share of CHF 100 nominal value at a gross price of CHF 2,300.-, being a net amount of CHF 1,530.after deduction of withholding tax calculated in the manner shown below.

The option rights may be exercised in respect of the sale of either registered shares or bearer shares.

A shareholder who sells his/her shares to the Company is subject to tax and is responsible for ensuring that he/she is appropriately advised to respect of his/her taxation positioo.

Swiss Withholding tax: tax at the rate of 35% of the sale price less the nominal value of the shares, is charged, giving 35% of CHF 440.-(CHF 154.-) per registered share purchased and 35% of CHF 2,200.-(CHF 770.-) per bearer share purchased. The company will deduct an amount, equal to the withholding tax arising on the sale price, for the account of the Swiss Federal Tax Authorities. The amount charged by the Company on account of withholding tax is recoverable in accordance with the appropriate legal requirements (including existing double tax treaties with Switzerland) by the shareholder exercising the option.

Swiss Federal Stamp Duty: the purchase of own shares by the Company io connection with a reduction io capital is not subject to stamp duty arising on negotiation of securides.

Swiss Direct Federal Tax: if the shares form part of the personal assets of the shareholder exercising the option, the sale of such shares to the Company constitutes, pursuant to the principle of direct partial liquidation, a taxable income equal to the difference between the nominal value of the sbares and their purchase price.

If the shares form part of the commercial assets of the shareholder a taxable gain will arise equal to the difference between the book value and the purchase price of the shares. The principle of direct partial liquidation does not apply in this case.

#### **Exercise of Option**

To exercise the opoons, they must be returned, together with the corresponding registered shares and/or bearer shares (the latter with coupon Nos. 29 and above attached), to an office in Switzerland of Unioo Bank of Switzerland. The amount of the sale price, after deduction of withholding tax, will be paid, without charge, to the vendors in accordance with normal practices of the Swiss Stock Exchanges, value three days after the exercise of the option and delivery of the sbares sold.

#### Listing.

A listing of the opdons has been applied for and obtained on the Geneva and Zurich Stock Exchanges which will take effect from 1st July 1993 and will be maintained during the period of the opdons.

A prospectus in respect of the listing, setting out, in French, the full terms of the options, may be obtained from Union Bank of Switzerland.

#### Onoted prices of SGS registered and bearer shares (adjusted prices)

		1989	1990	1991	1992	1993
registered share	CHF	294/232	353/ 198	360/ 240	226/ 245	271/335
bearer share	CHF		1718/1036	1656/1100	1650/1190	1810/1410
prices as quoted in	Zurich on	8th June 1993	registered sh	are: CHF 314	bearer share	CHF 1540
prices as quoted in	Zurich on	24th June 1993	registered sh	are: CHF 321	bearer share	CHF 1723

This offer is not being made in the United States of America and offer material with respect to the offer may not be distributed in or sent into the United States of America. The rights described herein may be exercised only outside the United States of America.

#### Renewal of the offer of exchange of bons de jouissance category A

Purchase offer of Bons de Jouissance category A

Following the exchange offer made on the 14th May 1992 to the bolders of bons de jouissance category A. 131,448 bons de jouissance category A have been exchanged for bearer shares in the period to 28 May 1993, being 89.08% of the 147,560 bons de jouissance category A then in circulation.

In order to offer to the holders of the remaining 16,112 bons de jouissance catgeory A the possibility of exchanging their securities for bearer shares carrying the put options, the exchange offer has been renewed. Furthermore, the Company is offering to purchase the outstanding bons de jouissance category A.

#### Exchange Offer

Offer period: 1st July to 10th August 1993 inclusive.

#### Exchange ratio:

6 bons de jouissance catgeory A, without nominal value, with coupon Nos. 15 and above attached, for: 5 bearer shares of CHF 100 nominal value, with coupon Nos. 28 and above attached (including the 1993 put

In order to form an integral multiple of the above exchange numbers, the purchase or sale of up to 5 bons de jouissance category A must be effected on the Swiss Stock Exchanges.

Swiss Federal stamp duty of 3% on the bearer shares issued and reserved for the exchange, together with the withholding tax of 35%, is paid by the Company.

Bearer shares, freely exchanged against bons de jouissance category A, must be declared as revenue for direct federal taxation purposes,

Given that the Company accounts for the full amount of withholding tax, the amount taken in account as revenue for direct federal taxation, in respect of each bearer share exchanged, is calculated in the following manner:

CHF 100 × 100 = 153.85

or CHF 128.20 per bon de jouissance category A given in exchange

The withholding tax recoverable per bearer share exchanged is as follows:

35% of CHF 153.85 = CHF 53.85

or CHF 44.85 per bon de jouissance category A given in exchange

With regard to Swiss cantonal tax, the various cantonal requirements in relation to the taxation of free shares apply. For the cantons of Bâle-Campagne, Bâle-Ville, Geneva, Lucerne, Obwald, St-Gall, Thurgovie. Un and Zurich, the nominal value of free shares is not taxable, the only taxable amount corresponds to the withholding tax, of CHF 53.85 per bearer share of CHF 100 nomical value, paid by the Company.

The remaining cantons follow those principles which apply in respect of direct federal taxation.

Shareholders and holders of bons de jouissance category A, resident overseas, are subject to the tax legislation of their country of residence; any recorvery of withholding tax is regulated by existing double tax treaties with

The above is given for information purposes only and, in the case of any doubt, professional tax advice should be

#### Dividend Right:

The bearer shares exchanged against bons de jouissance carry the right to dividend in respect of the 1993 accounting period.

The bearer shares have not been registered under the United States Securides Act of 1933. Therefore, they may not be offered or sold, either directly or indirectly, in the United States of America, its territories or possessions. Furthermore, they may not be offered or sold to any person (including companies) who is a citizen of or is resident in the United States of America, its territories or posessions.

Holders of Bons de Jouissance category A resident in other overseas territories should consult their professional advisers to determine any formality or restriction relating to the acceptance of this exchange offer.

#### Purchase Offer

Offer Period: 1st July to 10th August 1993 inclusive.

CHF 864,50 (oct) per bon de jouissance category A, without nomical value, with coupon Nos. 15 and above (being CHF 1,330 less 35% withholding tax of CHF 465.50)

Payment: 13th August 1993

The principles described above in respect of the issue of the 1993 put opdons apply, mutatis mutandis, to the purchase of bons de jouissance.

#### General Information

#### Listing:

The withdrawal of the listing of bons de jouissance category A on the Geneva and Zurich Stock Exchanges will be requested following the expiry of the exchange offer. The bearer shares are listed on the Geneva and Zurich

Stock Exchanges.

Io order to give notice of the exchange or sale of bons de jouissance category A, the securities, together with coupon Nos. 15 and above attached, should be placed with an office in Switzerland of

#### Union Bank of Switzerland

The exchange and/or purchase of bons de jouissance category A and the delivery of bearer shares will be carried out without cost to the holders of bons de jouissance.

Geoeva, 30th June 1993

SGS Société Générale de Surveillance Holding S.A. For the Board of Directors Chairman: Elisabeth Salina Amorioi

The listing prospectus published in the French language is the only authentic text for Stock Exchange listing purposes. A copy may be obtained from the below mentioned bank. This announcement does not purport to be a prospectus within the meaning of Article 662a and/or 1156 of the Swiss Code of Obligations

> The exchange or purchase of bons de jouissance or the exercise of the options may be carried out through an office in Switzerland of

Union Bank of Switzerland

			_
Registered Share	Value No. 249.745	ISIN CH0002497458	_
Bearer Share	249.746	CH0002497468	
1993 Put Option	089.678	CH0000896784	
Bon de jouissance	249.733	CH0002497334	

### Westinghouse elects Jordan chief

By Martin Dickson

WESTINGHOUSE Electric, the troubled US conglomerate, yesterday named Mr Michael Jordan, a former head of international operations at drink and foods group PepsiCo, as its new chairman and chief executive.

Westinghouse has been searching for a chief executive since January when Mr Paul Lego stepped down under pressure from the board and shareholders, dissatisfied at his progress in turning the com-

Yesterday's announcement

By Nikki Tait in New York

CLOROX, the California-based

company best known as the

largest bleach producer in the

US, is selling its frozen foods business to H. J. Heinz, the US

No price was disclosed, but

the Clorox operations, which

mainly supply the food service industry, will be incorporated

into Heinz's Ore-Ida division.

Clorox, which announced

last April it was negotiating

over the sale of the food inter-

ests, added that it expected to

followed boardroom divisions as to whether in-bred Westinghouse should appoint to the post Mr Howard Clark, a 36year company veteran and acting chief executive, or seek a

leader from outside. Mr Jordan indicated yesterday that he planned substantial changes, saying he saw "the naw Westinghouse as smaller, but strategically sound, less affected by husiness cycles and more competi-

Westinghouse, with interests ranging from nuclear power plant to radio stations, has suffered particularly from severe

show a net gain on the sale

Clorox predicted that fourth-

quarter earnings would be

slightly ahead of analysts' fore-casts. It told analysts that

fourth-quarter and full-year

earnings per share should be ahead of last year's figures by

25 per cent and 15 per cent

In the fourth quarter of

1991-92, Clorox earned 70 cents

a share, before a 48 cents-a-

share charge for asset write-

downs. The full-year result for

1991-92 was \$2.65, before one-off

charges of 83 cents.

respectively.

Heinz to buy Clorox unit

Goldman Sachs International Limited

Barclays de Zoete Wedd Limited

Merrill Lynch International Limited

Daewoo Securities (Europe) Limited

J. Henry Schroder Wagg & Co. Limited

Goldman Sachs (Asia) Limited

Korea Development Securities Co., Ltd.

The Development Bank of Singapore Ltd

ABN AMRO Bank N.V.

**Paribas Capital Markets** 

Carr Indosuez Asia Limited

Barclays de Zoete Wedd Limited

Goldman, Sachs & Co.

losses on poor property invest-ment by its financial services unit in the 1980s.

He said it had made significant progress this year to resolve the financial services problems and added that he would be examining all tha group's core businesses. Mr Jordan is joining

Westinghouse from the New York private investment firm of Clayton, Dubilier & Rice, where he has been a partner since last year.

Before that, he had worked since 1974 for PepsiCo, rising to be head of its international foods and beverages division.

By Joe Mann in Caracas

1991's \$441m.

requirements.

ne resele restrictions applicable thereto. These sacurities having been praviously sold, this announcement appears as a matter of record only.

**ELECTRONICS** 

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States except in accordance with the resale restrictions applicable thereto. These securities having been previously

SAMSUNG

Samsung Electronics Co., Ltd.

(Incorporated in the Republic of Korea with limited liability)

5,084,744

**Rule 144A Global Depositary Shares** 

Representing 2,542,372 Shares of Non-Voting Stock

Global Coordinator

Goldman, Sachs & Co.

3,305,084 Global Depositary Shares

This portion of the offering has been sold outside the United States by the undersigned.

Europe and the Rest of the World

Deutsche Bank

Tong Yang Securities Co., Ltd.

**Swiss Bank Corporation** 

PETROLEOS de Venezuela

(PDVSA), Venezuela's national

oil company, has been hurt by

weak international oil prices

and high income taxes.

Net earnings for 1992 fell 25 per cant, to to US\$331m from

But the company was able to

make significant progress in

its domestic and international investment programmes, make large cuts in operating

expenses and trim borrowing

Weak prices hit PDVSA

Between 1964 and 1974 he worked for McKinsey & Co, the management consultants.

His background in finance and consumer products con-trasts with that of most Westinghouse chairmen, who have been closely involved in engineering, but Mr Jordan holds degrees in chemical engineering from Yale and Princeton universities and was certified as a nuclear engineer early in his career.

Mr Clark will remain president of Westinghouse while the company's interim chairman, Mr Richard Morrow, will stay on the board.

One of the world's largest oil companies, PDVSA said consol-

idated gross revenues in 1992

were \$21.4bn, down 4 per cent

PDVSA's average export

of 63.3bn barrels, the largest

from 1991's \$22.3bn.

the Middle East.

#### Group acts on global multimedia standards

By Louise Kehoe In Sen Francisco

LEADING European, US, Australian and Canadian hightechnology companies are joining forces to accelerate the acceptance of global multimedia communications by agreeing on technical standards.

Founding companies of the groop are British Talecom, France Telecom, Deotsche Bundespost Telekom, International Business Machines. Intel. Northern Telecom, and Telstra.

The group, called the Multimedia Communications Community of Interest, said It would promote the use of services that would allow people in different locations to view documents, images, graphics and full-motion video on a personal computers, while simul-taneously discussing and updating what they see on their PC screens.

international services would depend on establishing standards so that users could col-laborate regardless of the computer equipment, software or telecommunications company

The group also announced plans to begin a series of field trials in the first quarter of 1994 to test multimedia communications services on a coordinated, global basis. The group has invited other companies to join.

#### Pepsi in China deal

PRPSI-COLA, the US soft dnce and market Asia Beverage's soft drinks thronghout

## New president named in American Express shuffle

By Patrick Harverson in New York

AMERICAN Express, the US travel and financial services group, has reshuffled its senior management appointing Mr Jeffrey Stiefler president of the company. Mr Stiefler, who was chief

executive of American Express's financial services subsidiary IDS, takes over as president from chief executive Mr Harvey Goluh, who assumes the title of chairman from Mr Richard Furlaud.

American Express said Mr Furlaud, an outside director of the company since 1972, has been elected chairman of the board of directors.

The changes represent a consolidation of the management installed in February following the departure of Mr James Robinson, who had run American Express for 15 years. After a protracted battle, Mr Robinson was forced out because of the poor performance of the company's various divisions. and of its share price.

The appointment of s new president, and the move of Mr Furlaud to chairman of the executive committee, are designed to spread some of the management load.

Express was being run solely

executive committee of tha by Mr Golub, with Mr Furlaud's support.

Mur

Mr Stiefler's promotion is seen as a reward for his work at IDS, which during the group's recent troubles with its loss-making securities brokerage operations and struggling credit card business, remained a reliable source of profits. In 1992, IDS contributed \$243m to the group's overall earnings of

This is the second time in a few years that IDS has proved a stepping stone for manage ment within American Express. In 1991, Mr Golub, then head of IDS, was pro-Previously. American moted to president of the par-

### Bahlsen to restructure business

By Christopher Parkes in Frankfurt

BAHLSEN, the German cakes. biscuits and snacks maker, is to restructure its business with the aim of increasing European market share, according to Mr Werner Michael Bahlsen, man-

aging director.

Split into "sweet" and "snacks" divisions, the company will focus on three brands, Bahlsen for sweet products, Leibniz in the semisweet mainstream hiscuit market, and Bahisen Picanterie for savoury snacks.

The group, which saw pre-

tax sarnings drop hy more than 50 per cent last year to DM56m (\$33m) on sales of DM1.8bn, compared with DM1.86bn in 1991, is also aimtonnes, from 271,000, while the value of domestic deliveries fell from DM969m to DM929 Mr Bahlsen said. ing to extend its eastern European business further. consumers' awitching to Bolstered by the recent purcheaper brands and the impact

chase of a Polish confectionery group, sales in the region shoold reach DM80m this year, Mr Bahlsen said yesterday. Last year's turnover had been reduced mainly by cur-rency fluctuations, he added. He pointed out that 1991 earnings had been boosted to

DM127m partly by the sale of the Gubor subsidiary.

spending.
Despite the setbacks, the group claims a 19 per cent

share of the German packaged cakes market, 37 per cent in biscoits and almost 27 per cent in savoury snacks.

2.2

Bar

Kidder Pe

He hlamed the decline oo

of the hot summer on sales of

Profits were also affected

hy increased promotional

chocolate products.

### German groups cut PVC capacity

By Christopher Parkes

China, writes Nikki Tait.

Pepsi will hold the majority

takes effect today.

Around 100 workers will be HOECHST and Wacker, two leading German chemicals affected by the closures, which groups, are to close two bulk will leave the new company PVC factories with a combined with four German plants with capacity of 90,000 tonnes a a total of 580,000 tonnes annual capacity and 1,200 employees.

The moves will follow the The merger was announced last November as part of previously-announced merger of the companies' PVC inter-Hoechst'a cost-cutting proests into a single company, gramme, under which all

Vinnolit Kunststoff, which the company's PVC interests apart from film would be merged with those of Wacker, which is 50 per cent owned by Hoechst

Mr Wolfgang Hilger, chair-man of the Frankfurt-based group, said then that the new company would command 10 per cent of the western Euroan market, and offer savings of DM50m (\$29.5m) a year.

We hereby announce the merger of

Z-Länderbank Bank Austria Investment Bank AG

Z-LB Capital Markets Finanzierungen, Beratung und Service AG

effective 1.1.1993.

All capital markets activities will now be offered under one roof:

New issues

Privatisations

Trading & Sales

Research

Mergers & Acquisition

Portfolio management

Bank Austria Investment Bank AG

Burgring 3 1010 Vienna Telephone: 43-1-588 84-0 Telefax: 43-1-588 84-361

This announcement appears as a matter of record only

MONTHLY AVERAGES OF STOCK INDICES 2837.5

100 knder Mid 250 3105.8 1409.4 1432.70 1522.32 3206.9 3147.1 3110.1 350 Share Industrial Group 1434.0 1410.7 1431.20 1522.69 500 Share Financial Group All-Share 1552,97 982,79 1415,40 1046.34 990.45 1393.70 1002.84 1397.10 Eurotrack 100 1152.61 1152.22 1150,60 Eurotrack 200 1237.69 1216.21 FT Indices 95.27 112.21 2213.2 97.19 Fixed Interest 111.13 2207.0 112.87 2252.8 112.70 126.4 30,702 99.7 38,564 171.4 28,856 186.1 SEAO Bargains(4.45pm)

Highest Close June Lowest Clase June FT-SE 100 2829.9 (4th) FT-SE Mid 250 3235.7 (30th) 1447.8 (22nd) 3186.3 (1st) 1413.5 (4th) FT-SE 350 FT-A All Share Ordinary 1400.30 (4th) 2211.7 (1st)

Emirates Bank International Limited

having recently been granted a full UK banking licence is please to announce the opening of its London Branch on 1st July 1993.

Emirates Bank International Limited London will assume the iness undertakings in the UK of Middle East Bank Ltd (MEB) a subsidiary of the Emirates Bank Group. MEB will henceforth operate under "former authorised" banking status in London.

EMIRATES BANK INTERNATIONAL LIMITED Shackleton House, 4 Battlebridge Lane, London SEI 2HP

Tel No: 071-357 6262 Fax: 071-357 6105 Telex: 8956506/8951481 EBILLO G

price per harrel - covering crude oil and refined products dispatched from Venezuelan ports - was \$14.91 last year, 6.3 per cent below the 1991 aver-The company closed 1992 It said the success of such with proven crude oil reserves held hy any country outside

drinks hosiness, and Asia Beverage Company, based in China's Guangdong province, are forming a joint venture to pro-

share - 60 per ceot - in the venture company.

28,16 26,67 29,24 29,39 36,36 

### 1,779,660 Global Depositary Shares This portion of the offering has been sold in the United States by the undersigned.

J. Henry Schroder Wagg & Co. Limited

Peregrine Capital Limited Tong Yang Securities Co., Ltd. Yamaichi International (Europe) Limited

The First Boston Corporation

**Lehman Brothers** 

Merrili Lynch & Co.

Salomon Brothers Inc

Ssangyong Securities Europe Limited

Credit Suisse First Boston Limited

Bayerische Landesbank Girozentrale

Korea Development Securities Co., Ltd.

Salomon Brothers International Limited

Ssangyong Investment & Securities Co., Ltd.

S.G. Warburg Securities

**Daiwa Europe Limited** 

Merrill Lynch International Limited

Credit Suisse First Boston Limited

Lehman Brothers International

**UBS Limited** 

Daewoo Securities (America) Inc. Ssangyong Securities America Inc.

June, 1993

Tong Yang Securities (America), Inc.

#### INTERNATIONAL COMPANIES AND FINANCE

## Murdoch TVB stake plans still on, say analysts

By Simon Hotherton in Hong Kong

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MR RUPERT Murdoch is unlikely to shelve plans for an alliance with Hong Kong's Television Broadcasts (TVB), even though his bid to acquire 22 per cent of the company has run into regulatory difficulties.

This is the view of local media analysts. They believs that to realise his aims in Asian broadcasting, the head of News Corporation does not need to own a significant share of TVB, given that his ambitions are regional and not just confined to Hong Kong.

If all goes well, analysts say, Mr Murdoch should be able to strike a deal giving him access to TVB's programming library and production capability, and allowing him to participate in TVB's satellite broadcasting

One possibility would be for TVB to separately incorporate its film library and production facilities and sell an interest in them to Mr Murdoch. He could also partner TVB in Asian satellite broadcasting without having to own that part of TVB which has the terrestrial broadcasting licence for Hong

On Tuesday, Mr Murdoch asked the Hong Kong government to defer consideration of his HK\$1.85bn (US\$239m) offer to acquire a substantial shareholding in TVB from the company's two main share-

holders, Sir Run Run Shaw and Malaysian financier Mr Robert

It is understood the deferral was sought because Hong Kong's Broadcasting Authority had recommended against approval of the purchase. At issue was the waiver of a regulation which prohibits a foreigner voting more than 10 per cent of the equity of a Hong Kong television

"I still believe that TVB wants to work with News Corporation," said Mr Charles Whitworth, media analyst at Wardley James Capel. "They want access to News Corp's programming and their expertise in satellite television. But he [Mr Murdoch] does not need to own TVB to do it."

Mr Kirk Sweeney, media analyst at Lehman Brothers. said it would be a disappointment for the strategic development of both News Corp and TVB if Mr Murdoch was prohibited from acquiring a stake in the company. Both would benefit from News Corp's participation in TVB; they could aell product in both direc-

tions," he said. Mr Sweeney believes there were some aspects of the deal that could persuade the colony's Executive Council, or quasi-cabinet, to grant waivers, "If properly presented". One of these was the exportation of Chinese culture to North America and Europe.

SEVEN Network. the Australian broadcasting company, has confirmed it will have News Corporation and Telecom, the Australian telecommunications group, as founding shareholders when

its flotation goes ahead. Mr Ivan Deveson, Seven Net-work chairman, said News Corporation, Mr Rupert Murdoch's international media group, would hold a 15 per cent interlian government-owned tele-

He said News and Telecom would be entitled to nominate one director each to the board. Seven, which had been in the hands of its bankers following the collapse of the Qintex empire, has circulated a draft prospectus. The flotation is likely to seek between A\$600m

The prospectus is believed to price Seven Network shares at just over eight times forecast

#### Philips to show gain of Fl 1.1bn on sale

By Ronald van de Krol in Amsterdam

PHILIPS. the Dutch electronics group, stands to make an extraordinary gain of FI 1.1bn (\$579m) on the recent sale of its minority stake in a semi-conductor joint venture to Matsushita of Japan.

The gain, which is in line with analysts' predictions, will be included in second-quarter results due out on August 5.

In May, Philips announced it was selling its 35 per cent stake in Matsushitz Electronics Corp to its long-standing joint venture partner. Matsushita, for Fl 3bn.

The company had declined to say how big the extraordi-nary gain would be. However, Philips was required to disclose the figure when filing its annual report with the Securi-ties and Exchange Commission in the US, where it maintains a listing of ordinary shares on the New York Stock Exchange. · Philips confirmed it would be using the proceeds of the MEC sale to redeem debt and to begin the process of cutting short-term debt. Part of the proceeds will be earmarked for early redemption of FI 540m in

cates issued by its finance It said the figure of Fi 1.1bn included foreign exchange gains as well as the cost of provisions needed to end or divest other parts of the Phil-ips group. It declined to give details of the projected provi-

outstanding conversion certifi-

The extraordinary gain will significantly boost secondquarter results. In the first quarter, Philips' net profit fell by more than one-third to Fi 103m, due mainly to a drop in orders at its communications systems business in Ger-

The divestment of MEC is expected, on balance, to be positive for Philips. The Japa-nese-based joint venture was barely profitable in recent years, and the reduction in debt will enable Philips to achieve savings on interest Cut-price carriers are mopping up redundant labour and lost routes, writes Nikki Tait T IS 11.30am at Newark which involve jet aircraft. Airport and Flight 7, to There are two compelling Atlanta, is filling up. The cassengers are a motley crowd reasons why start-up carriers

are reaching for the skies. but there is coffee by the First, there is a surplus of boarding gate, plus an effusive trained labour and cheap aircabin ettendant. And if the Boeing 727 looks a little Pan Am and Eastern alone elderly, at least it departs on employed between them almost 30,000 people immedi-

contracting, shedding thou-sands of jobs in the process.

The idea to create Kiwi came

from a group of former Eastern

pilots who personally commit-

ted upwards of \$50,000 apiece

in start-up capital. Today,

Kiwi's 400-plus payroll include

former employees of Midway Airlines, a smaller Chicago-

based carrier which collapsed

It is not only people skills which are available. The recent airline demises - plus the

shrinking of survivors - has

in 1992, and Pan Am.

This is Kiwi International ately before their respective Air Lines, one of a crop of new sirlines which have started up The 1990s seem in the US in the past few years. Kiwi flies to just a handful of an unlikely time cities - Chicago, Atlanta, New York, Orlando and San Juan in to start up an air-Puerto Rico - and its appeal is line. Financial equally simple - price. The cost of a one-way ticket turbulence has put

from Newark to Atlanta, with nó advance purchase or mini-mun-stay requirements, is \$119. Make the same "full fare" two large carriers out of business journey on Delta Air Lines, which dominates Atlanta's Hartsfield airport, and the collapses in 1991. More recently, many of surviving US carriers – including American, Delta and United – have been price is \$373. At first sight, the 1990s seem

an unlikely time to start up an airline business. Financial tur-bulence has caused two large carriers - Pan Am and Eastern - to go out of business, while losses at the remaining seven national airlines have topped \$8bn over the past three years, Even now, Northwest Airlines, the fourth-largest carrier, is teetering on the brink of bank-

Despite this gloomy industry backdrop, the US Department of Transportation calculates that 15 new airlines came on stream in the year to April, one-third of which were neither charter nor cargo operations. Another 20 applica-tions are in the pipeline, half of

which are parked in the Califormian desert. Many of the new carriers use Boeing 727s or 737s, restricting their fleets to one type of aircraft to reduce maintenance costs. Lease rates are at low ebb: depending on age and model, a 727-200 can be had for under \$100,000 a month.

Upstart airlines reach for the US skyways

Equally important, there is a market waiting to be served. US consumers have grown accustomed to the bargainbasement fares which resulted from savage price wars in the early 1990s, and still shop fiercely for good buys.

The big carriers, by contrast, are desperate to restore some profitability to their domestic operations, and have been trying to push up ticket prices. This task is achieved more easily in markets where they face limited competition. When Eastern, which had

been a heavy price-cutter, col-lapsed, Delta became the only large operator et Atlanta and immediately raised fares. For new carriers, with lower operating costs, such situations have potential. In financial terms, the new-

ers' track records are varied. Some have quickly moved into profit.

Take Nevada-based Reno Air, which will celebrate its first birthday this week. It flies a dozen aircraft, principally in the south-west, and has been firmly in the black for the past two quarters - more than can be said for many of its bigger rivals. However, problems tend to surface when a successful

led to a glut of aircraft, most of niche operator takes the next leap forward, in terms of size and route structure. MarkAir, example.

This carrier, which began life flying oil-drilling equipment around the Alaskan outback, became a passenger carrier in the mid-1980s. In 1991, it expanded into the Pacific north-west, angering the larger Alaska Airlines. A fierce fare war developed. MarkAir filed

The idea to create Kiwi came from a group of former Eastern pilots, who committed upwards of \$50,000 apiece

for Chapter II bankruptcy protection in June 1992.

The MarkAir story is also indicative of the relationship between upstart carriers and established operators. In gen-eral, new airlines tread warily, knowing they can be targets of retaliation if they encroach too far into national carriers' terri-

Kiwi, for example, has only four flights a day during the week, between Atlanta and Newark (two in each direction). The first flight leaving Newark is not until 11.40am, making the service of limited use to business travellers.

By contrast, when Reno tried to enter the Minneapolis market, Northwest - which is based in the Minnesota city and had abandoned a Minnea-

based in Anchorage, is good polis-Reno route - responded by first re-entering this terri-

tory, at Reno-style prices. Worse, it announced it would undercut the upstart carrier's price on other west coast routes. The Department of Transportation weighed in on Reno's side, and both carriers backed off.

Occasionally, however, the intricate world of aviation politics plays in the new carriers' favour. The giant American Airlines, for example, is trying to scale down its bub operation in San Jose. California, in the face of strong competition in that area from its low-cost Dallas-based rival, Southwest Air-

Two months ago, it agreed to sublease up to seven gates et San José to Reno, and has also offered Reno passengers the chance to earn air miles in its AAdvantage frequent flier

To economists, the ready entry of new low-cost operators is precisely what competition theory prescribes. But even in the aggressive, deregulated US arrline industry, not everyone is universally welcome.

Plans by Mr Frank Lorenzo, former boss of both Eastern Airlines and Continental, to start a discount-fare airline operating between Boston. Washington and Orlando, have provoked a storm of protest from airline unions and members of Congress.

Hearings on the issue are taking place this week. It is a delicate issue which pits the principles of deregulation against one of the industry's most controversial figures.

#### Network unveils float rules

By Bruce Jacques in Sydney

phone group, 10 per cent.

est, and Telecom, the Austraearnings for 1994.

(US\$402.7m) and A\$725m.

#### Dickson Concepts advances 7% a year earlier, and reflected

By Simon Davies n Hong Kong

DICKSON Concepts, the Hong Kong retailer and wholesaler which owns Harvey Nichols, the London department store, reported a 7 per cent increase in earnings for the year to

Net profit improved to HK\$300.5m (US\$38.5m) from HK\$281.9m a year earlier. The results were a marked contrast to chairman Mr Dickson Poon's enthusiastic predictions

weak trading conditions in

Japan and Europe, Turnover rose 8 per cent to HK\$2.57bn, primarily as a result of improved sales from its distribution operations in south-east Asia. Harvey Nichols, purchased

from the UK Burton Group in 1991, made its first meaningful contribution to group earnings during the year. Analysts estimate the store made an operating profit of around HK\$14m, thanks to tighter financial con-

trols and an expansion of its

The recent focus of the group has been on China. Four outlets have been opened in Bei-ing, selling Charles Jourdan, Guy Laroche and S. T. Dupont products. During the current fiscal year, an additional 30 boutiques are expected to be established.

The group already distributes 11 brands of luxury watches in China. It will start marketing a new Harvey Nichols range this year.

### Gillette product launch

By Nikki Tait in New York

GILLETTE, the Boston-based consumer products company, yesterday unveiled a new shaving system. It is hoping to follow up the success of its Sensor razor with the new product which, it claims, offers further technological advances.

Gillette said the new system. SensorExcel – should sell at a 15 per cent premium to Sensor. It will be launched in European markets in September. This is the first time it has launched a new "wet shaving product outside the US. When news of the launch surfaced last week, the company's shares moved higher, although some analysts suggested it was too soon after

Sensor's 1989 launch to bring a

new "wet-shaving" product to market. Sensor has been hugely successful, helping to rebuild Gillette's image after the tumultuous 1980s, when the company was subject to two takeover

All of these securities having been sold; this announcement appears only as a matter of record.

June 30, 1993

\$225,000,000

### **Banco Bilbao Vizcaya International** (Gibraltar) Limited

9,000,000 American Depositary Shares, Series C Representing Non-cumulative Guaranteed Preference Shares, Series C

Kidder, Peabody & Co.

**BBV** Interactivos, S.A. (Outside of the United States)

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.

Goldman, Sachs & Co.

**Lehman Brothers** 

### CORPORATION

PIONEER ELECTRONIC

Notice is hereby given to holders of CDR's issued by Caribbean Depositary Company N.V., Curacao, evidencing shares in the bove Company that the annual report of Pioneer Electronic Corporation for the year ended March 31, 1993, may be obtained

Caribbean Depositary Compony N.V., 6 Joho B. Gorsiraweg, Willemstad, Curação N.V. Nederlandsch Administratio- en Trustkantoor,

Horengracht 420, 1017 BZ The Bank of Tokyo Ltd... established in : Tokyo, Bruxelles, London, Dusseldorf, Paris and New York.

Amsterdam, June 28, 1993

N.V. NEDERLANDSCH ADMINISTRATIE-EN TRUSTKANTOOR

#### C.A. La Electricidad de Caracus, SAICA-SACA U.S. \$209,554,000 Floating Rate Bonds due 2003 Series A-1

U.S. \$13,626,000 Rate Bonds Series A-2 U.S. \$23,247,000 U.S. \$13,895,000 iting Rate Bonde due 1994 Sories B-2

U.S. \$19,242,000 Floating Rate Bonds due 1995 Series B-3 in accordance with the provisions of the Bonds, notice is benefy given that for the interest Period into June 30, 1963 to September 30, 1963 the Bonds will early an interest Rate of 4.5% our provisions (interest Colores).

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1.3. \$1,000 nominal procent of which U.S.
\$500.54 nominal procent of which U.S.
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\$510.00 nominal appoint of which U.S.
\$525.00 nominal appoint of which U.S.

Floating Rate Notes due 1997 For the period from July 1, 1988 to Jamary 8, 1994 the Notes will carry an interest rate of 5% per annum with an interest amount of LIT 250,000 per LIT 5,000,000 Note and of LIT 2,503,000 per LIT 50,000,000 Note.

LIT 200,000,000,000

International Bank for

Reconstruction and

Development

The relevant interest payment date will be January 8, 1984. Agent Bank: Banque Paribas Luxembourg Société Anonyme

#### \**6]}6**6666666**1)**166466666**1**6666**)**

Nationwide £150,000,000

Floating Rate Notes 1996 (formerly Anglia Building Society) In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 29th June, 1993 to 29th September, 1993 has been fixed at 6.08 per cent, per annum. Coupon No.28 will therefore be payable on 29th September, 1993, at £1.532.49 per coupon from Notes of £100,000 nominal and £76.62 per coupon from Notes of £5,000 nominal.

Nationwide Building Society

S.G. Warburg & Co. Ltd. 

#### First Interstate Trust Company of New York

Acquisition of Corporate Trust Business by Bank of Montreal Trust Company

NOTICE IS HEREBY GIVEN that on June 80, 1993 Bank of Montreal Trust Company acquired from First Interestine Trust Company of New York substantially all of its corporate trust business.

Bank of Montreal Trust Company located at 77 Water Street, New York, NY 10005, will succeed First Interestine Trust Company of New York as Trustee or Paying Agent or Registrar or Co-Paying Agent for the following issues:

American Express Bank Limited Floating Rate Subordinated Capital Notes due 1939

American Express Overseas Credit
Corporation Limited
American Express Overseas Credit
Corporation N.V
Farm Credit Corporation
H. J. Heinz Company

H. J. Heins Company IC Industries Finance Corporation N.V. ce of Quebec

9% Bonds due 1998 11%% Guaranteed Bonds due 1998 18%% Bonds due 1994 Floating Rate Debenture due 2006 Floating Rate Debenture Notes due 2085

10/4% Subordinated Bonds due 1995 First Interstate Trust Company of New York

Dated: July 1, 1993

Rio Tusto-Zinc Finance B.V.

The City of Vienna The Royal Bank of Canada The Royal Bank of Canada

C.A. La Electricidad de Caracas SAICA-SACA U.S. \$39,838,000

NOTICE TO THE HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS IN: PIONEER ELECTRONIC CORPORATION

We see pleased to announce that copies of (t) the English translation version of the Convocation Notice of the 47th Ordinary General Meeting of Sneeholders of Common Stock of the Company held on 20th June, 1973, and (6) The Amund Report for the Sized year anded 31st March, 1993, are now available. and (1) for Anneas seport for two assets year ended 31st March, 1993, are now warfallable to EDR Holders, spoon application, to The Bank of Tokyo Essermational, Limited, 12/15 Finstony Circus, Loudon, ECZM 7877, and the Agent, The Bank of Tokyo (Laxembourg) S.A. Residence St. Espeit, 1-3 Res de St. Espeit 1475

(London Depositary) lat July, 1993

#### **Energy International N.V.**

Shareholders in the Fund are convened to attend the Annual Ceneral Meeting of shareholders to be held on Friday, 30th July, 1993 at 10.00am at the registered office of the Fund at Pietermaai 15, Willemstad, Curação, Netherlands Antilles.

The items on the agenda are:-Approval of the Report of the Board of Management on the Fund's affairs for the year from 1st April, 1992 to 31st March, 1993. Approval of the balance sheet as at 31st March, 1993 and of the sta operations for the year ended 31st March, 1993.

3) Ratification of the actions of the Board of Managem 4) Approval of payment on 6th August, 1993 of a dividend for the year ended 31st March, 1993 of US\$ 2.00 per share or such dividend as may be advised by the Auditors as necessary to obtain United Kingdom distributor status for the Fund.

5) Election of the Members of the Board of Management. In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting, holders of bearer shares must deposit their share certificates (or a deposit recelpt for the share certificates) mentioning their names, addresses and nationalloes at the registered office of the Fund not later than 23rd July, 1993.

2nd July, 1993 By order of the Board of Manager

#### Republic of Venezuela U.S. \$262,720,000

Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given, that the interest rate for the Interest Period from 30th June, 1993 to 31st December, 1993 is 41/96 p.a. The Coupon Amount payable on the 31st December, 1993 for notes with original principal amounts of U.S. \$10,000 and U.S. \$100,000 is U.S. \$173.39 and U.S. \$1,734.11 respectively.

Bankers 1703. Company, London Bankers Trust

Agent Bank

A/S VARDE BANK

US\$ 15,000,000

**M.CHEMICAL** 

FLOATING RATE SUBORDINATED NOTES DUE 1994 In accordance with the provisions of the Notes, notice is bereby given that for the period from 30 June 1993 to 31 December 1993 the Notes will carry a rate of interest of \$4 % per annum with an coupon amount of US\$2811.11.

Aires Finance Limited USD 39,291,000 Secured Floating Rate Notes due 1993 to 1995 For the period from July 1st, 1993 to January 4th, 1994 the Notes will carry an interest rate of 5%% per annum with the following

interest amounts: Interest amount Interest Payment per USD 1,000 100,000 Periods 39.83 898.33 August 02, 1993 August 02, 1993 - September 01, 1993 - October 01, 1993 - October 01, 1993 - November 01, 1998 July 01, 1998 36.06 360.56 3.61 3.48 34.77 347.69 3.46 34.60 345.98 3.22 32.19 321.94 November 01, 1993 - December 01, 1993

December 01, 1998 - January 04, 1994 Banque Paribas Luxembourg Société Anonyme Agent Bank



**Cardiff Automobile** Receivables Securitisation (UK) plc £328 million Floating Rate Notes Due 1995

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 29th June, 1983 to 29th September. 1983 the Notes will carry interest at the rate of 6.25 per cent per annum.

Interest payable on 29th

September, 1993 will amount to

£157.53 on each £10,000 Note.

West Merchant Bank Limited

Agent Bank

USD 200,000,000 BANESTO FINANCE Subordinated Floating

Rate Notes due 1994

Interest Rate 4.02813% p. a. Interest Period June 30, 1993 September 30, 1993 Interest Amount due on September 30, 1993 per USD 1,000,000 USD 10,294.11

BANGOR GENERALE DU LUMBAROURS

Agent Benk

Bendit due 2006
In ecoordence with the provisions of the Bonds,
notice is hardly given that for the Imprest
Period from June 30, 1983 to September 30,
1983 the Bonds will carry an interver Piete of
2,3775% per rangu. The hardest psychologic on the
relevent interver payment data. September 30,
1983 will be U.S. \$1,000 principal
amount.

**NEWS IN BRIEF** 

Hong Kong

**Futures** seat

for Morgan

MORGAN Stanley Asia is to

take a seat on the Hong Kong

Futures Exchange (HKFE) and

has also been accepted in prin-

ciple as a clearing member of

the exchange, AP-DJ reports

The group said it would be able to begin its own execution and clearing facilities in Hong Kong within the next few

Morgan Stanley recently

acquired a second seat on the Hong Kong Stock Exchange.

reflected the firm's rising com-

**Stanley** 

from Hong Kong.

weeks.

## Disappointing response to record £3.25bn gilt auction

Patrick Harverson in New York sharply lower.

THE BANK of England held one of its most disappointing gilts auctions yesterday since they were first used in 1987. However, the fundamental attractions of the UK gilt market enabled it readily to shrug off the supply pressure of what was also the biggest ever auc-

The £3.25bn sale of 8 per cent stock due 2003 had been aimed at international investors who have been heavy buyers of UK

#### GOVERNMENT BONDS

paper on the back of low inflation, low growth and the prospect of sterling appreciation.

However, over the past week, gilt prices have risen sharply and the pound bas raced ahea against a number of European currencies. Yesterday's suction was covered only 1.1 times, the lowest level since January

When the auction details were announced, long gilt futures for September plunged % to 106% and both medium

AMP revamps

investment

operations

By Bruce Jacques in Sydney

AMP SOCIETY, the Australian

financial services group, is

investment operations in a bid

to improve investment perfor-

mance.
The AMP, which controlled

Australian investments valued at more than A\$37bn at last

balance date, has formed a

separate company to manage

its investment operations

called AMP Investment Aus-

Mr Andrew Threadgold,

managing director, said the

changes would allow the AMP

more fully to focus on invest-ment management while at

the same time reducing costs.

The move is aimed at break-

ing the company's equity

investments into smaller, sep-

arately-managed portfolios. Mr

Threadgold said this should

lead to a hig reduction in mar-

ket execution costs.

creep higher very quickly and by the close, the September gilt contract was almost half a point higher on the day at

The fundamental attractions of the market enabled the Bank of England to announce a further £800m of new stock late yesterday afternoon.

The tap of 9 per cent stock dated 2008 and priced at 108.75 per cent will be more attractive to UK institutional investors, which prefer longer-dated

THE BURNING issue of whether Germany will or will not cut key interest rates at its fortnightly council meeting today continued to exercise continental European government bond markets.

However, the German bund market drew no inference from the inscrutable Bundesbank and traded sideways for most of the day. Bund futures rose only 6 basis points to close at 95.86.

Dealers said the strength reflected investore switching out of the French government

FT FIXED INTEREST INDICES June 30 June 29 June 28 June 25 June 24 High \* Low " SontSacs (IIII) 97.22 97.13 97.20 96.98 96.97 81.18 96.04 Flood Industrial 115.24 115.14 114.83 114.90 114.57 105.33 115.24 curities 15/10/26; Pased Internet 1928. Acurities high since compilations 127.40; (6/1/35), Iow 46.19 (2/1/75) Profilation: 118.24 (30/263), Iow 90.53 (3/1/75) GILT EDGED ACTIVITY June 29 June 28

bond market, which many feel has risen high enough in the short term.

103.8 104.0

The rate cut pessimists pointed to the derisory reduction yesterday in the repo rate. which was shaved by only one basis point to 7.58 per cent against vague hopes earlier that it might have come down to around 7.55 per cent.

However, the enthusiasts believed that the fiscal package announced on Tuesday and due to be approved by the Cabinet in two weeks' time would provide the Bundesbank with the impetus it needs. The government wants to make spending cuts totalling DM25.25bn.

FRENCH government bonds were flat as the market lower on balance.

Foreign investors, who have been prepared to take the country's political uncertainty on board for the attractive returns of government paper, were encouraged by positive tax news.

The treasury has signed a decree introducing a new system for repayment of withholding tax on coupons to eligible foreign investors.

The finance ministry said the time for repayment could be cut to 35 to 40 days with the new computer-based system. At present, the repayment of the 12.5 per cent tax can take up to a year.

BTP futures for September ended the day 0.61 point higher

I US TREASURY prices slipped lower in quiet trading yesterday morning as dealers and investors prepared for tomorrow's important jobs

By midday, the benchmark

30-year government bond was down if at 105 yielding 6,695 per cent. At the short end of ■ IN THE high yielding European government bond markets, Italian bond futures hit a the market, the two-year note was also weaker, down & at 100%, to yield 4.026 per cent. Trading was lacklustre

BENCHMARK GOVERNMENT BONDS Week 7.37 9,500 06/03 114,9746 +1,531 6.99 7.18 9,000 03/03 115,6500 +0.050 BELGILM 7.36 7.39 7.52 7.250 08/03 99.2500 -0.950 CANADA ' 4,000 05/03 108.0800 -0.036 8.84 8.000 05/88 107.5445 +0.039 8.500 04/03 112.4200 +0.020 6.12 6.72 6.75 04/03 100.9550 +0.060 6.61 6.73 8.86 11,500 03/03 102,1800 +0.140 11,44† 11.48 12.40 4.800 98/89 102.8905 -0.001 5.500 08/02 106.9676 -0.002 4.33 4.45 4.20 4.39 7,000 02/03 103.9600 +0.330 6.42 6.50 10.12 10.14 10.300 06/02 100.9796 40.066 8.95 7.75 8.11 8,84 7,64 8,00 +5/32 +7/32 101-19 +11/52

103-13 -4/32 105-20 -8/32 8.000 04/03 108.3200 -0.110 **ECU Prench Govi** London closing, "denotes New York morning session ) Gross ansuze yield jenducing withholding tax at 12.5 per o Priose: US, UK in 32nds, others in decimal

> throughout the morning, primarily because most market participants chose to stay on the sidelines until tomorrow's release of the June employment report. Expectations centre on a rise of between 100,000 and 150,000 in non-farm payrolls - an increase that would be regarded as indicative of a

still-struggling, but slowly

expanding, economy.

Most of yesterday's losses were concentrated at the long end of the market. They were attributed to some end-of-quarter selling by institutions, and also to reports on the Market News Service that a large num ber of Congressional Demo-crats want President Bill Clinton to drop the controversial energy tax from his deficit-reduction package.

5.76 6,68

6.76

7.08 7.16 7.51

Yields: Local market standard

According to Mr John Wad-sworth, the securities group's managing director, the move mitment to Hong Kong and the

#### Chinese offer

Shanghai Outer Gaogiao Free Trade Zone Development, a property developer of China's first free-trade zone in Pudong, Shanghai, will raise an aggre-gate HK\$250m with a combined public offer and share placement, AP-DJ reports from

Hong Kong. Shanghai Gaoqiao will issue a total of 85m Class "B" shares, or 23 per cent of its enlarged share capital.

Half of the new shares will be sold by open subscription at HK\$2.95 each, while the other half will be reserved for private placement at 38 US cents

Chinese "B" shares can only be sold in Hong Kong after the registration of a prospectus. Shanghai Gaoqiao is the first Chinese company to be regis-

#### FM250m for KOP

KOP's 50-year subordinated perpetual bond issue raised FM250m. The loan is to be included in the Finnish bank's Upper Tier 2 capital, Reuter reports from Helsinki. The bank said that the bond

would boost its capital adequacy ratio by 0.2 percentage points. At the end of April, KOP's capital adequacy ratio was 9.2 per cent under BIS

22i 334

2.21 3.33

8.31 9.81 9.17

### Broadly-based borrowers tap a wide range of currencies

By Sara Webb

A BROAD selection of borrowers flocked to the interrevamping its Anstrallan national bond market yesterday, tapping a wide range of

> The World Bank, which launched its Y225bn global deal on Tuesday, yesterday priced the seven-year bonds to yield 12 basis points over the No 129 JGB (the indicated range had been 11 to 13 basis points over the Japanese government bond).

Goldman Sachs, which is joint lead-manager with Daiwa Europe and IBJ International, said the bonds traded up from the issue price of 99.983 to 100.07-100.10 by mid-afternoon. while the yield spread tightened to 11.5 basis points. "The deal was distributed all over the major geographical centres," according to one of the

Japan Airlines also tapped

the yen sector yesterday for a total of Y50bn, choosing to spread its borrowing burden across three separate bond issues, lead-managed by three different Japanese houses.
The bond issues, which are

for aircraft financing purposes. INTERNATIONAL

BONDS

have quite similar maturities. falling due in October 2002. July 2003 and October 2003.

They (Japan Airlines) did it in three issues because they have a varied maturity requirement which makes it easier this way - however, it also helps relationships with the Japanese houses," said one Japanese lead manager. Another said: "it's very political - by doing three issues through three different houses. it gives everyone a slice of the ple." The deals were mainly aimed at Japanese investors. In the lira sector of the market, Credit Local De France launched a L500bn zero-coupon bond with a 10-year maturity. Mr Flavio Fabbrizi, head of new issues at IMI Bank Luxembourg, which was the lead manager for the deal, said there was good demand in the Beneiux countries, Germany and Switzerland, from both institutional and retail investors, given that with a zerocoupon bond investors do not have to worry about reinvest-

digested the most recent unem-

ployment data, which came in

at 11.5 per cent for May against

the market's expectation of

French bonds started slug-

gishly, with today's auctions of

franc-denominated OATs and

of Ecu-denominated OATs also

weighing on futures as dealers

set up hedges for the tender. The September contract was

down at around 119.68 at one

stage but recovered later in the

day to close unchanged at

record high before profit-taking

saw the contract edge slightly

around 11 per cent.

ing interest payments. The bonds were priced at 39.72, giving 38.47 after fees and providing a gross redemp-tion yield of 10.027 per cent. The bonds later traded at 38.625-38.65.

The US dollar sector saw a wave of new issues, with a straight bond from the Development Bank of the Philippines and a handful of floating-

	Amount	Coupon	Price	Maturity	Fees	Spread	Book runner
Barrower US DOLLARS	m.	76			%	pp	
Dev. Bank of the Philippines	175	80	99.434R	Jtd.1996	0.937533	+310(5)4%-98	Citibenk international
Boo, Com. Portugues Madeirat	150		100	Jul. 1996	0.125		JP Morgan Securities
Swaden Export Credit	100	(a)	100.1	Jul 1994		-	Lehman Brothers Intl.
ABB Intl. Finance‡	100	(0)	100.125	Jul. 1994	-	-	Lahmen Brothers Inti.
D-MARKS							
Arbed(c)§	125	(c)	(c)	Jul 2003	2.5	-	Merrill Lynch Bank
FRENCH FRANCS							
European Investment Bank	2bn	6.25	99.47R	Jul 1999	0.275R	+8 (8%%-00)	Crédit Lyonnels
YEN							
Japan Airlines Co.	2000	5.45	100.125R	Oct.2002	D.SR	-	Deiwa Europe
Japan Airlines Co.	15bn	5.5	100.225R	Oct.2003	D.375R	-	NEdio Europe
Japan Airlines Co.	7.50n	5.5	100.35R	Jul.2003	D.SR	-	Nomura International
Witsubishi Kasal Corp.(d)	2000	4.4	100.1R	Oct.1997	0.3R	-	Yameichi Inti. (Europe)
SBAB	10bn	4.25	100R	Nov.1996		-	Mildo Europe
CANADIAN DOLLARS							
GECC	200 :	6.5	89.887R	Dec_1996	0.2R	+20 (814%-96)	Salomon Brothers Intl.
ITALIAN LIRA							
Crédit Local de France .	500bn	ZECO	39.72	Aug.2003	1.25		IMI Bank Luxembourg
SWEDISH KRONA							
Council of Europet	275	(6)	99.5R	Apr.2000	0.3R		Morgan Stanley Ind.

manager, SConvertible, ‡Floating rate note, 85emi-ennual outpon. Rt bad re-offer pice; fees are shown at the re-offer level, at Coupon pays 6-month Libor + 0.25%, b) Coupon pays 6-month Libor + 0.25%, b) Coupon pays 8-month Libor + 0.25%, b) Coupon indicated at 2.5 - 2.75% and convertion premism at 13 - 16%. Callable from July 1998 at par plus account, of Puttable on 29/ 10/86 at pay, e) Coupon pays 9% fixed annual in first 9 months and 14,75% - 6-month Sibor thereafter. a yield spread of 310 basis The Development Bank of extends the maturity bench-

the Philippines upped its fiveyear issue from \$100m to \$175m, citing strong investor demand for the paper. The deal is the first five-year issue by a Philippines borrower, and

mark set by the Republic of the Philippines Eurobond issue launched earlier this year.

The bond issue does not carry a national government guarantee, but was brought at

points over the US Treasury bond, representing an improvement over the spread obtained by the republic. Citicorp was lead-manager for the deal.

MARKET STATISTICS

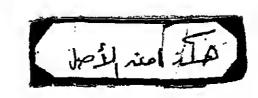
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Redemption Notice



### **European Investment Bank**

13% Bonds Due 1996

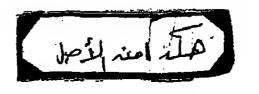
NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of August 31, 1984 under which the above described Bonds were issued, that European Investment Bank has called for redemption on August 31, 1993 \$25,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to August 31, 1993. The serial numbers of the Bonds selected for redemption are as follows:

COUPON BONDS

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30 Con The blowing Book each barrieg Rob levils and a series of the series of t The following Bonds each bearing the following serial numbers previously called for redemption have not as yet been presented for payment:

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On and after the date fixed for redemption interest on said Bonds will cease to accrue. Coupons due August 31, 1993 should be detached from the Bonds and presented for payment in the usual manner.

For EUROPEAN INVESTMENT BANK CITIBANK, N.A. as Fiscal Agent.

HARTSTONE, the hosiery and leather goods group which has

issued three profits warnings in recent months, yesterday

stunned the City with £31m

above the line costs, forcing it

into pre-tax losses of £9.86m for

expected to rise further.

where it all will stop."

tax profit of almost £9m. To

come in at a loss of that fig-

ure...leaves one wondering

Most analysts said any

attempts at forecasts for the

current year would be futile

until talks with the banks

became clearer. Meanwhile,

the accounts would be pre-

pared on a going concern basis, which depended on the success

## ICI seeks restructure of polyurethane industry

Chemical Industries, the chemicals group, is calling for a restructuring of Europe's struggling polyurethenes industry.
The company, which views

the sector as one of its core businesses, said it was prepared to participate in any restructuring. The market is struggling from a combination of over-capacity, falling demand and tumbling prices. Mr Richard Stillwell, manag-

ing director of ICI polyurethanes, said: "If prices continue to fall, there will have to. be rationalisation. If we were approached by someone we might well be interested."

The European market will have fallen between 5 per cent and 6 per cent this year after static growth in 1992, according to ICL That compares with growth of up to 7 per cent dur-

ICI said the polyurethane sector's plight has been aggravated by large slugs of new capacity coming on stream. The European industry has a capacity of about 12m tonnes a year, of which about 140,000

Mr Stillwell said: "We would like to build on our areas of strengths. If anyone offered us a component part of the MDI market we might ba interested," MDl (diisocyanato-diphenyl-methane) is a raw material for polyurethanes.

lCI's areas of strength include supplying the automotive, consumer appliance and footwear industry.

The industry must take some imeginative steps, said Mr Stillwell. ICI might consider doing an asset swap, even though its polyurethanes operations were not overburdened with non-core activities.

Bayer, the German group, has added a new production

65,000 tonnes capacity was only

partly offset by the closure of a small production line. Meanwhile, BASF of Germany has acquired an east German plant, adding about 35,000 tonnes a year to capacity, which it may have also

ing. Dow of the US has also bought a new plant with a 65,000 tonnes a year capacity. Prices have fallen – depending on the particular grade by about 33 per cent over the last 18 months from DM3.80 a

increased thanks to bottleneck-

"I believa pricas hava reached rock-bottom," said Mr Stillwell. "Although we are making money in Europe, break-even point has been passed for most other producers if you include fixed costs. At these prices I do not think the industry can cover rein-

kilo to about DM2.60.

### Eastern Electricity at £183m and lifts dividend by 15%

By David Lascelles, Resources Editor

Electricity yesterday produced the largest profits increase in the regional electricity results season so far with a 28 per cent rise at the

It declined, however, to join the dividend race which has seen REC pay-outs soar.

The dividend increase of 15 per cent, bringing the total to 19.2p. was less than the 15.9 per cent set by Seeboard on Tuesday, but still at the upper end of the range.

Mr James Smith, chairman and chief executive, said: "Our operating strength has been reflected in benefits to both shareholders and customers. "The value of our sharehold-

ers' investment has increased, while customers are benefiting through competitive energy prices and continuing improvements in services."

Pre-tax profits at the lps-wich-based company amounted to £183.4m in the year to March

31, up from £143.1m. Turnover was £1.92bn (£1.88bn). Earnings er share jumped 30 per cent,

from 38.6p to 50.1p.

The gain came partly as e result of an attack on costs; 1,100 jobs went during the year, and 400 more are due to go this year, contributing to cost savings of £20m e year.

There was also a sharp turnround in the electricity supply business: last year's operating loss of £9.7m was transformed into a profit of £31.4m thanks to a £17m reduction in earlier under-recovery of costs because of regulatory controls. The electricity distribution business saw operating profit

when it was boosted by £15m of over-recovery - to £158.4m. There was a net loss of £1m on retailing activities, and the loss on contracting widened from £2.3m to £4.9m because of a poor market. A strong cash flow enabled

fall from £175.9m in 1992 -

gearing to be reduced from 31 per cent to 17 per cent.

increase was "warranted by the profit stream" and was "a statement of confidence in the future". Dividend cover was raised from 2.3 to 2.6 times.

Customers benefited from frozen prices end a 25 energy efficiency rebate in the year.

Eastern used its strong results to improve its low dividend cover rather than set a new pay-out record, which was prudent, if disappointing for share-holders. Analysts will be looking for signs of fresh strahands over the chief executive reins to his chosen successor John Devaney, who inherits a heavy agenda of cost-cutting and structural work in lossmaking areas like retailing and contracting. Although the market pushed the shares up a few nce on the result, they settled back to close the day unchanged at 472p on a pro-spective yield of about 5.6 per cent, close to the sector aver-

### Abdullah brothers resign Starmin executive positions

THE ABDULLAH brothers, who built up the Evered aggregates company through acquisi-tions in the 1980s, yesterday resigned their executive positions at Starmin, the quarry products company where they bought control

Starmin also announced it had delayed publishing its accounts for last year because the board was reviewing its accounting policies. As e result, the previously recommended final dividend of 0.2p would not now be paid.

The company's shares fell 2p to 2%p. Mr Osman Abdullah resigned as chief executive and has been replaced, on an acting basis, by Mr Owen Rout, former chairman. Lord Parkinson, the former Tory cabinet minister who joined the company in April last year, has been appointed chairman immediately. Mr Raschid Abdullah will remain on the board as a non-executive director.

Mr Rout refused to comment on the details of the review before it was completed. But be said it covered technical matters. "There is no indipractise nature involved," be said.

The review is understood to have been prompted by concern among some directors and Samuel Montague, the company's financial advisers, about Starmin's acquisition accounting policy.

In a statement yesterday, the company said its review would cover "the disclosure and accounting treatment of various acquisitions and disposals" made in 1991 and 1992. Previously announced results for these years, which showed a £1.9m pre-tax profit in 1991 and a loss of £8.1m last year, may have to be restated.

The Abdullahs bought into Starmin, then

called SI Group, in 1989 following their departure from Evered, now called Evered Bardon. The brothers launched a string of acquisitions, including eight in 1991, largely financed by three rights issues within two years. But despite an initial rally, Starmin's shares

performed poorly and were overshadowed by concern about the company's acquisition strategy and mounting worries about recession in the construction industry.

#### Devro shares give 13.5% **Clyde Blowers** premium on first day

By James Buxton

SHARES in Devro international, which makes sausage casings from the protein collagen, closed at a 13.5 per cent premium on its first day of trading on the Stock Exchange yesterday. The shares, priced at 170p, went to an early high of 198p before

The public offer for shares in the company, e former subsidiary of Johnson and Johnson

acquisition which had been bought out by its management, was sub-

institutions. Some 15m shares were traded yesterday as small investors sold their allocations which had mostly been sharply scaled down, and institutions

scribed 4.6 times and involved

28m shares. A further 52m

shares were placed firm with

acquired more shares. Devro said it was pleased

#### **DIVIDENDS ANNOUNCED**

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Cassidy Bros §fin	1.65	Aug 27	1.65	2.4	2.4
Eastern Electfin	13.7	Oct 4	11.85	19.2	16.7
GEC	7.62	Oct 1	7.05	10.3	9.6
Hartstonefin	nii	-	3	2.8	4.875
Ratnersfin	nil	-	αÜ	nit	2.4
Silverninesfin	пЩ	-	14	1	2 .
TR High Incomeint	1.4贵	July 30	1.4	•	a
Wilehawfin	0.35	Oct 1	0.3	0.5	0.4

Dividends shown pence per share net except where otherwise stated. §USM stock. Firish pence. \*\*Second interim; makes 2.8p to date.

DEN NORSKE STATS OLJESELSKAP A.S. Floating Rate Notes due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that the Rate of Inferent for the interest Period 30th June 1993 to 30th September 1993 has been fixed at 7.125% per annual. The interest psychologous the relevant Lactest Psychologous Lactest 1993 will be FFI JC20,83 per FFI JC20,000 Note and FFI JC20,83 per FFI JC20,000 Note. Banque Nationale de Paris p.Le. Reference Agent

## rights to fund

Clyde Blowers, the specialist engineer, is calling for £3.6m partly to finance the acquisition of Boiler Products Engineering, based near Brussels, Belgium, from Stein Industrie (France), a wholly owned subsidiary of GEC Alsthom.

The total consideration, including payment of debt to its parent company, is about

BPR designs, distributes and services boiler cleaning equip-ment. It made pre-tax profits of BFr15.8m (2306,000) on turnover of BFr229m in the 12 months to March 31

At that date it had not assets of BFr57.9m. The rights issue of 800,000

new ordinary shares is on the basis of 4-for-5 at 500p each. Yesterday tha shares closed

37p down at 633p.
The issue is fully underwritten by Allied Provincial Secu-

In addition to funding the acquisition, proceeds from the rights will be used to reduce short-term borrowings and to provide future working capi-

Clyde Blowers also forecast profits of not less than £182,000 pre-tax for the year to August 31 and a final dividend

### Reed **Elsevier** buys French publisher

By Raymond Snoddy

REED ELSEVIER. international publishing group, has acquired more than 96 per cent of Editions Techniques, the largest general publisher in France, in a deal worth £77m.

In May the company announced an agreement under which it would have at least a controlling interest. Editions Techniques pnblishes Juris Classeurs and La

Semaine Juridique and the acquisition is part of Reed Elsevier's strategy to extend its professional publishing interests in continental Europe.

Apart from owning a leading medical publication, Encyclo-

edie Medico Chirurgicale, Editions Techniques holds a controlling interest in Juris-data, the legal database com-pany, and a 40 per cent stake in Litec, the legal book pub-

Mr Herman Bruggink, direc-tor of legal and medical pub-lishing worldwide for Reed Bisevier, will become chairman of Editions Techniques from July 2. Mr Bruggink said yesterday:

We are creating a powerful European base for our legal publishing businesses by acquiring Editions Tecb-

Together with Butterworths. Reed Elsevier's UK legal publisher, further European

expansion is planned.

The merged Anglo-Dutch group, owned by Reed International and Elsevier, is also pushing ahead with its planned \$425m (£283m) purchase of Official Airline Guides from Price Water-house, the joint administrator of Maxwell Communication

#### AAH extends over-the-counter operations

AAH Holdings, the acquisitive pharmacenticals distribution group, has extended its over-the-counter operations with tha acquisition of M&S Toiletries and the connected Beauty Concessions - collectively MSBC - for an initial £15.6m in sharas, each and loan

MSBC is a wholesale and retail distributor of tolletries, cosmetics and other pharmacy OTC products. Edinburgh-based, it has "a

strong position in the Scottish market share in the north of England", said AAH. In the year to June 30 1992. MSBC's sales (adjusted for inter-company transactions)

were £25m and are forecast to be not less than £29m in the current year. Pre-tax profits in 1992 were £900,000 and, on a pro forma basis, are warranted to be at

least £2.1m for the 12 months to completion.
Of the initial £15.6m, the 2.39m shares to be issued to

the vendors will be retained for at least six months. Further consideration of no more than £1m in loan notes will depend on the valuation of assets at completion.

Net assets at June 30 1998 were not less thanharsh on past management. They had purchased businesses "unwisely", he said, while soma of the smaller acquisitions had lost "significant amounts of money", leaving large inter-company debts.

Results worse than expected after exceptional costs totalling £31m

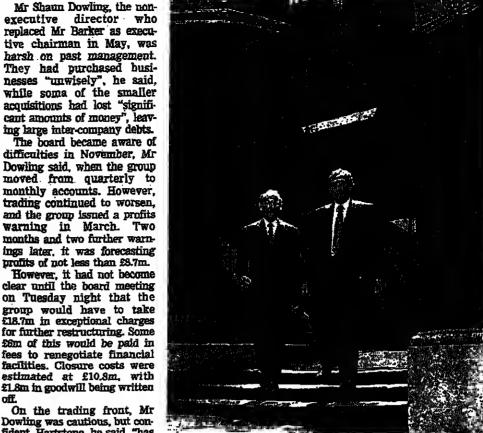
Hartstone falls £9.9m into loss

the year to March 31 The results, which compared with e profit of £22m last year. The board became aware of were depressed by £11.8m in difficulties in November, Mr rationalisation charges and Dowling said, when the group write-downs, and a further moved from quarterly to monthly accounts. However, £18.7m in exceptional restructuring costs. Before exceptiontrading continued to worsen, and the group issued a profits warning in March. Two months and two further warnals there was a pre-tax profit of The shares fell 3p to 36p.
Analysts said yesterday it
was too early to determine the ings later, it was forecasting profits of not less than £8.7m. long-term future of Hartstone, built up by former Albert Fisher chief Mr Stephan

However, it had not become clear until the board meeting on Tuesday night that the Barker through a rapid series group would have to take of acquisitions. The group, £18.7m in exceptional charges which had breached banking for further restructuring. Some covenants, was in refinancing talks with bankers. Gearing £6m of this would be paid in fees to renegotiate financial estimated at £10.8m, with £1.8m in goodwill being written "The figures were a sham-bles," said one London analyst. "People were expecting e pre-

On the trading front, Mr Dowling was cautious, but confident. Hartstone, he said, "has profitable businesses capable of further development". He announced the appointment of a new finance director to improve reporting procedures, Mr Stephen Oakley, formerly of Macarthy, the pharmacies

Group trading profits were 10 per cent down at £21.9m on



Shaun Dowling (left) and Stephen Oakley: board became aware of problems in November and three profit warnings were issued

£370.3m. A 67 per cent increase in hosiery profits to £9.47m had not been enough to offset the 34 per cent decline in leather goods to £12.4m.

Hartstone benefited from a £6.7m gain on currency transactions following the devaluation of sterling. There will not be a final divi-

dend, leaving the 2.8p interim as payment for the year (total 4.875p). Losses per share were 12.4p (earnings 21.1p).

### Mercedes contract for Lucas

of the discussions.

LUCAS Industries, the UK motor components and aerospace group, has won its first ever contract to supply diesel fuel injection systems to Mercedes-Benz, the German luxury car maker.

The contract, described only as of "substantial" value by Lucas executives yesterday, marks a new stage in the UK group's relations with Mer-

Lucas has supplied other components to the German concern, but this is the first time it has worked in a long-term partnership with Mercedes jointly to develop

SCHOLL, the UK-based

personal healthcare products

group, is paying FFr125m

(£14.5m) cash to acquire the

Septivon antiseptic wash brand

from Elf Sanofi, the French

pharmaceutical group.

The purchase of Septivon fits Scholl's strategy of acquiring

niche personal health care

brands with strong market

positions which play to

Scholl's distribution strengths

in the western European and

Scholl, which reported pre-

tax profits of £16.1m on turn-

over of £151.3m last year, has

been pursuing growth through

brand development, acquisi-tion and the licensing and dis-

tribution of other leading

Last year the group acquired

Pacific basin markets.

Engineers from Lucas' Diesel Systems subsidiary have been working with Mercedes counterparts for five years to develop the electronically-controlled system, called EPIC, which is being introduced on Mercedes' advanced, multi-valve OM 604 diesel engine fitted to its new C220 car

Analysts estimate that the business initially should be worth about £15m a year to

This is based on diesel versions being expected to account for some 20 per cent of the new C class cars' hoped-for 250,000 annual sales, and a

and Gerard House, tha UK-

based herbal medicines busi-

Septivon was introduced in 1972 and is one of France's

leading antiseptic washes with

a 17 per cent market share and

sales last year of FFr60.8m of

which FFr51.7m were in

France and the remainder in

Switzerland and a number of

former French territories. In

France one third of sales

were by prescription with

the remainder over-the-

The healthcare group

helieves there is scope to

enhance the marketing and

growth of the Septivon brand in France and to expand its

penetration in other markets.

through Scholl's international

distribution network.

likely value of approximately £300 for the Lucas units, However, analysts also believe that the eventual value of the business should be much larger, as the system is

adopted for other Mercedes die-

sel models and by other manu-

facturers. Lucas acknowledged yesterday that it is talking to "sev-eral other" car makers about supplies of the new injection

Lucas claims currently to have 32 per cent of the existing

European market for diesel fuel systems. It said the new system is the first to be designed specifically

### Scholl paying £14.5m for | Heron wins second ·

creditor vote the Scholl retail operations in Heron, the trading and ald Ronson, won yesterday the second of three creditor votes on its £1.4bn debt restructur-

ing.
The directors said that of those creditors voting at the Hague meeting, 87 per cent by value and 78 per cent by num-ber accepted the resolutions relating to Heron Interna-

tional Finance. They added that the final meeting will be held in the Netherlands Antilles on Monday July 5.

The restructuring cleared its main hurdle in London on Monday by votes of more than 80 per cent by value and 75 per cent by number.

The minimum required was 75 per cent and 50 per cent respectively.

#### **NEWS DIGEST**

counter.

French healthcare brand

#### Losses halved at Seafield

HALVED pre-tax losses of £11.1m, compared with £22.4m, were announced by Seafield, the Dublin-based transport, warehousing and property group, for 1992.

The loss was mainly attributable to e write-down in property values of £6.6m and £1.9m of realised losses on the sale of properties. Exceptional losses ast time amounted to £19.5m. Mr Brian Chilver, chairman, said the property division had been slimmed down and over the past three months the group had been involved in negotiations for a restructur-

Turnover improved to £45,2m (£22.8m). Interest charges fell to £4.96m (£5.39m) as property disposals allowed the group to repay £17.8m of borrowings. Losses per share were cut to 15.4p (31.9p).

Ferromet

In 1992 Ferromet Group reduced its losses before tax from £12.9m to £1.14m. And extraordinary credits of £8.99m turned that into an overall profit of £7.84m. Turnover came to £1.88m.

The loss arises from adminis-

tration expenses, a substantial part of which related to Losses per share were 0.56p

Cassidy Brothers Cassidy Brothers, the Black-

pool-based toymaker, saw pretax profits drop from £695,521 to £457,217 over the 12 months to April 30. Mr Thomas Cassidy, chairman of this USM-traded group,

said the decline - recorded on turnover ahead to £6.26m was attributable to many of the group's customers de-stocking in the pre-Christmas sea-son in the face of recession. Earnings emerged at 6.11p (9.07p) but the recommended final dividend is held at 1.65p for a maintained total of 2.4p.

Sheafbank Property Sheafbank Property Trust is to defer payment of the half yearly dividends, due today, on both its 6 per cent cumulative convertible preference shares and its 5.25 per cent cumulative preference shares.

Anglo St James

Anglo St James, the commercial property developer, cnt pre-tax losses to £943,000 in 1992, against £2.72m for the previous 18 months. Mr Jeffrey Green, chairman.

said that virtually all group

properties were now income producing. Rental income totalled £934,000 (£792,000 for 18 months). Losses were struck after exceptional charges of £504,000 (£1.63m). Losses per

share were 5.8p (23.1p).

Dwyer There was little change in half year results at Dwyer, the Irish-based commercial property investor, as losses on sales masked a substantial improve ment in underlying perfor-

In the six months to March 31 net rents fell to £2,33m (£2.59m) and that was exacerbated by losses on disposals of £537,000. However, there were substantial .. reductions in administration costs and interest payable to leave the pre-tax loss at £729,000 (£781,000). Losses per share came to 2.84p (2.85p).

Havelock Europa

Havelock Europa, the shopfitting company, reported that the Righ Court had confirmed the special resolution of the company passed on June 2 to reduce the share premium account by £2.93m. Havelock said the reduction

would enable it to resume dividend payments when appropriate to do so. • The High Court also approved a reduction of Cussins Property's share premium

**Mount Charlotte** 

account by £2.18m

Mount Charlotte Investments the hotels group, raised net profit from £1.5m to £2.1m in the year to December 27, after a tax credit of £1.1m. Turnover dipped from £226.1m to

Mount Charlotte is 70 per cent owned by Brierley Invest-

GE Cap/TIP Europe General Electric Capital Corporation said that its recommended offer for TIP Europe, the transportation equipment rental and leasing company, had been accepted in respect of 159m shares, representing 94.51 per cent of TIP Europe's share

The offer remains open until

3pm on July 14.

RIT Capital Newmont Mining has filed a registration statement with the US Securities and Exchange Commission in connection

Oriental Investments and RIT Capital Partners. RIT Capital proposes to sell 1.16m shares in Newmont and retain the balance of its holding of Im shares as part of its investment portfollo.

with the proposed sale of shares in Newmont by General

#### Share options for new chief of Pilkington

By Maggle Urry

PILKINGTON, the glass company, gave Mr Roger Leverton, its new chief executive, options to buy 1.08m shares at 107p under the senior executives share option scheme. Mr Leverton joined the group on July 1 last year when

4,100

....

Total

i)

terday the shares closed up 5%p at 127%p. He cannot exercise the options for three years from the date of grant.

The accounts also show that Sir Antony Pilkington, executive chairman, received £347,318 in 1992-93, np from £335,278. Mr Leverton received

the share price was 123p. Yes-

between £230,000 and £235,000 for the nine months from his appointment.
Directors' salaries are set in
April each year, and this year
no increases were awarded. compared to a 4 per cent rise in 1992 and 7 per cent in 1991. The directors have not received any performance bonuses for those

three years either. A pension payment of £215,000 was made to Mr Derek Cook, who retired last year, relating to his 8 year stint in India in the 1970s.

#### Pay boost for Thorn chairman

Sir Colin Southgate, chairman of Thorn EMI, saw his pay increase from £419,749 to £702.759 last year, according to the music and rental group's

latest annual report.

The package was made up of basic salary of £460,000, up from £407,500, approximately £12,759 (£12,249) of benefits in kind and £230,000 this time of performance related bonus. Thorn EMI has now changed its performance related scheme

to include e larger element of

shares, rather than cash, and

to make it more closely tied

to long term continued

improvement, the company

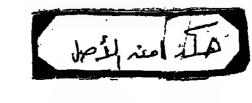
### NW Water head gets 35% rise

North West Watar, the privatised UK utility, awarded Mr Bob Thian, chief executive, a 35 per cent increase in pay and bonuses last year. Pre-tax profits increased 7 per cent

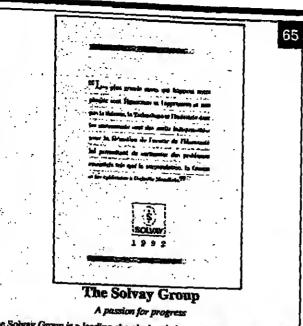
during the period. Mr Thian received total remuneration, including performance pay and pensions confributions, of £284,000, Mr. Dennis Grove, the outgoing chairman, saw his total package increase 44 per cent to

£267,000. Mr Steve McAdam, who resigned from his position as finance director, received compensation for loss of office of £90,000. North West also bought a property from him for £240,000. The company said the price had been certified by an independent chartered sur-

. Price Waterhouse, the accountancy firm, received non-audit fees from North West of £9.3m during the year. The fees covered due diligence work on acquisitions and general consultancy work.



## Financial Times Annual Report Service



The Solvay Group is a leading chemical and pharmaceutical company with sales of USD 8 billion worldwide.

The strategy followed by the company is to develop specialty products, with high value-added, high margin and high research content in each of its five sectors - Alkalis, Peroxygena, Plastics, Processing and Health - while also opening new geographical markets for its products, mainly in the USA, Asia and Central Europe.



Pearson Pearson publishes newspapers, magazines and books, owns and runs daytime family entertainment attractions, provides oil services around the world,
has substantial investment banking interests and is the largest manufacturer
and distributor of fine bone chins. Pearson owns most of its businesses outright, but also makes investments in complementary businesses. Pearson
concontrates on business sectors where its emphasis on quality is a competitive advantage, where it can market its products internationally, and where
it can attract and motivate talemed people.

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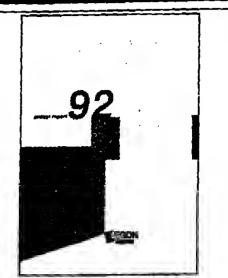


Chargeurs is a diversified industrial group which operates in textiles (Prouvost, Hart, Otegui ...) and entertainment (BSkyB, Allied Fibranakers, Onild, Patho). It also operates in automobile transportation (Waten), leisure cruises (Paquet) and protective surfacing (Novacel). The group is near of France's leading international companies, with 10,500 employees worldwide.

Financial Highlights 1992 (FF millions)

Not sales.

Printed Highlights 1992 (FF )
Not sales
Not income
Capital expenditure
Not equity per outstanding share (FF)



**AEGON** AEGON is a leading international insurance group, offering primarily a full range of life insurance and associated financial services. AEGON is also active in accident & health and general insurance. AEGON's most important markets are The Netherlands and America. The European companies are based in Belgium, Spain, Portugal, Hungary, and the United Kingdom. 1992 revenues increased by 12.3% to NLG 15,321 million. Operating income after range grew 10.1% to NLG 784.7 million. Taking into account the stock dividend, operating income per share rose by 2.1% from NLG 7.74 to NLG 7.90. 7.90. The AEGON share was split 2:1 in 1992.



BSN is the largest diversified food group in France, listly, Spain and Belgium. It ranks third to Europe as a whole and minth worldwide. It is the world's largest producer of dairy products, and second largest producer of mineral water and biscuits. In Europe it ranks first in dairy produces, unineral water, hiscuits, sauces and condiments, and second in pasts, beer and glass containers.

Consolidated sales Net income Cash flow

MEN OFF ROW C

+18.6%



Crédit Lyonnais

Crédit Lyonnais, with a history dating back to 1863, became the largest non-lapanese bank in 1992 in terms of total assets, which exceed FRF 1.9 trillion (USD 345 billion), reflecting customer confidence.

More than just a multinational bank present in 80 countries, Crédit Lyonnais has rounded out its unique network of 3,500 offices in Europe, including 900 outside France, with the acquisition of BFG Bank in Germany.

As a universal banking Group, Crédit Lyonnais operates in all the banking lines of business, providing individual, institutional and corporate customers worldwide with a comprehensive range of products and services suited to their needs.



CS Holding

CS Holding is one of the world's leading financial services groups. By building on our strengths we are shaping an institution capable of handling any major financial transaction. Worldwide, we focus on wholesale and investment banking, private banking and asset management, while in Switzerland we also have a strong position in retail banking. Our brainesses are managed independently under their own well-established names, giving them the freedom they need to compete effectively in the global markoplace.

This advertisement has been approved by Credit Suisse, a member of IMRO, SFA and the London Stock Exchange.



Credit Suisse

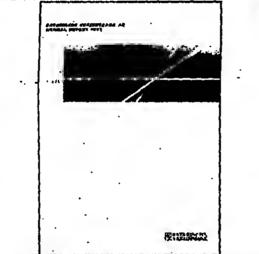
Credit Suisse is a subsidiary of CS Holding. As a major full-service bank based in Switzerland, Credit Suisse is one of the leading providers of financial services at both national and international level. With over 30 bases around the world, Credit Suisse is represented in all the main financial centres, industrialised nations and markets with strong growth potential. At the end of 1992 Credit Suisse's balance sheet total stood at Sfr 173 billion (1991: Sfr 136 billion). The annual profit for 1992 amounted to Sfr 857 million (1991: Sfr 848 million). Credit Suisse is a member of IMRO, the SFA and the London Stock Exchange.



**TELUS Corporation** 

TELUS Corporation is a leading Canadian telecommunications and information management services company. Through its subsidiaries, TELUS strategically manages assets of \$3 billion.

TELUS investments include CUC Cabbevision (UE) Limited, which provides joint cable TV-telephone service to several areas northwest of London. In Canada, AGT is the largest member of the TELUS group, providing voice, video and data telecommunications services to the province of Alberta. Another subsidiary, AGT Mobility supplies wireless mobile communications, including cellular, paging and radio systems.



Bayerische Vereinsbank

For the third time in a row, Bayerische Vereinsbank showed strong earnings growth. In 1992, partial operating profit rose by 25.6%, total operating profit is even by 35.6%, enabling the bank to provide for all perceivable risks. The Bank's rotum on equity has further increased to a considerable extent. DM 252 million were distributed to that cholden with a dividend of DM 13 per share. Vereinsbank-Group with total assets of DM 252 bm is among Germany's five largest private banks and one of the biggest mortgage banking groups in Europe. The group has branches all over Germany and is represented in the major financial and economic centres in Europe, as well as in the US, Japan, Hong Kong, South Africa and the Middle Bast.



Federal Mogul

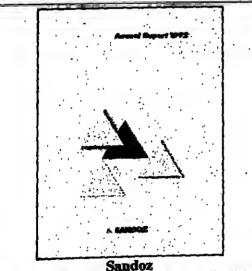
Through a network of more than 70 warehouses around the world, Federal Mogni's unique distribution system offers local availability of slow-moving. non-discretionary parts and a vast array of part numbers. The mix of its manrefacturing and distribution capabilities give the \$1.3 billion company a competitive edge in serving both the aftermarket and the original equipment market. Federal Mogul shares are traded on the New York and Pacific stock

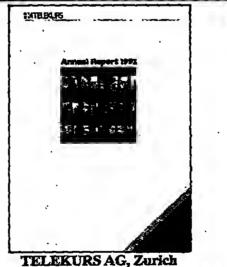


CANAL+

Created in 1984 to operate a pay-television service in France, CANAL+ has become one of the world's top media companies in less than ten years. It is currently France's leading television channel in terms of both revenue and profitability. In 1992, the company's revenues rose to FRF 7.9 billion, while not income after minority interests reached FRF 1.1 billion. CANAL+ has also successfully exported its concept in key foreign markets and, in terms of revenues, now rivals the U.S.-based network HBO, long the uncontested leader in pay television.

80





TELEKURS, based in Zonich, Switzerland, and with subsidiaries in all major financial centres of the world, offers a broad and varied spectrum of services for financial information distribution at the leading edge of technology. TRLEKURS have at their disposal the world's most comprehensive accurate database, With its services there is almost instant access to all relevant finan-

Entroc Group

The Swedish-based Euroc Group manufactures mineral-based building materials and distributes building materials in general. Entroc is organized into six business areas today: Cement international, Cement Sweden, Courtets and Aggregates, Masonry Products, Plasterboard and Building Materials Distribution. Countries in the North Sea and Bulid Sea regions are important growth markets for the Group. In 1992, Euroc's earnings after act financial items and omnority shapes declined from SEK 131 million to SEK 129 million, primarily due to substantial decline in the construction market. Not financial expense was reduced considerably and the Group had a positive cash flow. Despite the communing weak market, Euroc expects to remain in profit and have a positive cash flow in 1993.



Aurora Electronics, Inc.

Aurora Electronics, Inc. (AMEX: AUR) is the world leader in the emerging market for environmentally-sound and secure recycling and recovery of inte-grated circuits for the electronics industry. The Company reconditions and markets both recycled and non-conforming integrated circuits to over 1,500 customers worldwide. Amora's goal is in build a world-class company that provides manufacturing and materials-related services to the electronic indus Facilities are in California and Scotland.

PLEASE ATTACH YOUR BUSINESS CARD OR WRITE YOUR NAME AND

ADDRESS IN THIS SPACE. PLEASE USE BLOCK CAPITALS.

Planna, one of the world's largest pharmaceutical companies, is a minimum logy and endocrinology.  consolidated sales in 1992 were up 8% to St. 14.416 billion. Net increased by 34% to St. 1.495 billion, due in equal parts to improve-increased by 34% to St. 1.495 billion, due in equal parts to improve-in operational performance and to the first-time application of inopal Accounting Standards (IAS).	cial data from anywhere in the world.  TRURKURS expanded its business 1992; turnover: Str. 404:
The Financial Times Annual Report Service	e is appearing on 29, 30 June, 1, 2 July 1993

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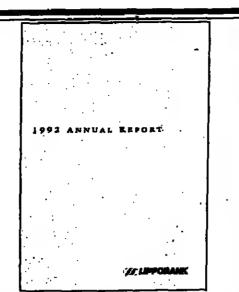
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## Financial Times Annual Report Service



With total assets of over \$128 billion the Dutch Rabobank Group ranks among the top 40 banks in the world. In most domestic market sectors, it is the nation's primary bank with the largest market shares. Internationally the Rabobank Group runs some 50 offices in the USA, Latin America, Asia, Australia and Europe, in addition to its own offices in Europe, the bank has also opted to expand its services in a number of European states through a series of strategic alliances with other banks. International operations' share in corporate leading grew to 20% in 1992. The Rabobank has a global specialisation in food and agribusiness and agri trade finance.



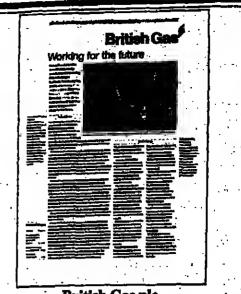
Lippobank
Lippobank
Lippobank
Lippobank
Lippobank
Lippobank, established in 1948, is one of Indonesia's leading commercial banks. Among publicly-listed banks it has the largest network of all, with more than 200 branches strategically positioned throughout the country.

As part of the Lippo Group of companies, it has subsidiaries and financial services affiliates in Hong Kong, Singapore, Taiwan, Thailand, Australia and California - and either directly or via the Lippo Group, joint venture relationships in Indonesia with entinent banking names such as Tokai Bank. Daiwa Bank, Long Tenn Credit Bank of Ispan, Beange Nationale de Paris and Bankers Trust. The shares of Lippobank, legally known as PT Lippo Bank, are actively traded on the Jakarta Stock Exchange.



The Wharf (Holdings) Limited

The Wharf (Holdings) Limited is an asset-growth driven conglomerate, focused on strategic long-term investments in property and infrastructure in Hong Kong. For 1992, turnover exceeded £365 million and group profit was over £170 million. The Group's investment portfolio stands at 7.8 million ft<sup>2</sup> and will reach 12.3 million ft<sup>2</sup> by 1998. Wharf is also involved in terminals, transport, hotels and select investments in China. The group was recently awarded Hong Kong's only cable television franchise.



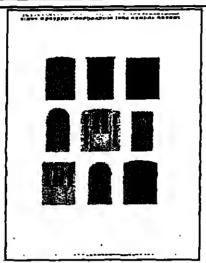
British Gas plc

British Gas is an international energy company based in the UK. In 1992 is turnover was £10 billion and operating profit 1.4 billion. It has three business streams, its primary activity as a UK gas utility, oil and gas exploration and production, and global downstream gas operations. International activities are wide-ranging with £5tP or downstream gas business interests in currently 45 countries. British Gas is one of the few major companies involved in all aspects of the gas chain - £5tP, transmission, storage, liquefied natural gas (LNG), distribution, gas trailing, power generation and matural gas vehicles.



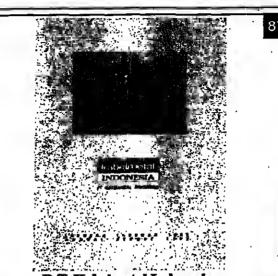
Ciba-Geigy Limited

Worldwide turnover was up 6% in local currencies, exceeding SFr. 22,000 million. Profits increased by 19% to SPr 1,520 million. Leadership positions in our key healthcare, agriculture and industrial markets strengthened. Active portfolio management continued with a concentration on biological businesses, and further streamlining of our industrial businesses. Outlook: We expect further structural improvements in our performance despite difficult external



First Western Corporation

First Western Corporation (NASDAQ:FWCO) engages in the mortgage bank-ing business through its wholly-owned subsidiary, Express America Mortgage Corporation (formerly Wessy Mortgage Corp.). During the year ended September 30, 1992 and the six months ended March 31, 1993, First Western originated loans of \$702 million and \$1.5 billion respectively. The Company services mortgage loans as well as purchases and sells the rights to service loans. At March 31, 1993, First Western serviced a \$4 billion loan portfolio.



P. T. Kabelmetal Indonesia

Founded in 1972, PT Kabelmetal Indonesia is a leading player in the Indonesian electric and telecommunications cable industry, one of the fastest growing and most crucial sectors of Indonesia's fast growing economy. Since 1986, the Gajah Tunggal Group has provided the vision, management and financial support that enabled the Company to go public in June, 1992. Kabelmetal is one of a limited number of qualified suppliers to both the national electricity utility (PI.N) and the telecommunications utility (PI. Telcom). Its products also meet such international standards as DIN, IEC and VDB, enabling it to export to world markets. Kabelmetal is currently involved in the second phase of an expansion program designed to make it the most cost competitive cable producer in Indonesia.



**Bank International Indonesia** 

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Today, Indonesia is in a very envisible position. It has a stable government, and abundant natural resources such as oil, gold, timber, coal, etc. Modernisation and development is taking place at a rapid rate. Deregolation measures opened up the economy to foreign investment in a big way.

Hank International Indonesia is one of the largest privately owned banks nationwide. With controlled growth and a record of profitability, BH has grown to be a highly respected institution in both the commercial and private sectors.



Ayala Land, Inc., the leading property developer in the Philippines, was publicly listed in 1991. It is primarily engaged in the development and sale of large-scale, multi-use and integrated communities, which began with the transformation of Makati, a Metro Manila suburb, from hectares of raw land transformation of Makan, a Mouro Manilla subino, from nectares or law anna into the Philippines' premier financial and business district. Its product lines cousist of residential, office and industrial land; mixed-use shopping centres; high-rise buildings and townhouses; hotels; and even mass housing projects. The company's net asset value as of 31 January 1992 was placed at P61 billion or US\$ 2.3 billion. Its total market capitalisation of about P51 billion or US\$ 1.9 billion makes it the largest listed Philippine property stock.



PT Indorama Synthetics

PT Indorama Synthetics is the largest producer of textile raw materials in indonesia. Established in 1974, the company presently has two divisions—spinning division manufacturing wide range of Spun Yarns with capacity of 21,000 tpa and Polymer division manufacturing 60,000 tpa of Polyester Filament Yaras, Polyester Fibre and Chips. The company is also the largest exporter of blended yarns from Indonesia since 1986. The sales for 1992 were US\$ 117 million and net profit US\$ 21.7 million. The total assets at the end of 1992 stood at US\$ 300 million. The company, with market capitalisation of 1982 stood at US\$ 300 million. The company, with market capitalisation of 1982 and 1982 stood at US\$ 300 million.



PT Inti Indorayon Utama

PT Inti Indorayon Utama commenced operations as a market pulp producer in early 1989. Today, it is indonesia's biggest and one of Asia's largest producers of market pulp, it is also one of the lowest cost pulp producers in the world. The company in furtherance of its advantageous position has just completed the expansion of its pulp especity and a rayon fibre plant. The future earnings will be substantially enhanced once these additions come oustream. For the year under review, operating profit was Rp 43.839 billion and not income was 92.536 billion, an increase of 6.5% and 32.4% respectively over receious year.



Statoil Statuli is an integrated Norwegian oil company and ranks as the leading operator on Norway's continental shelf. Operations are also pursued in 18 other

The group reported a profit before transion of NOK 11 billion in 1992, as against NOK 12,8 billion the year before. This reduction was primarily due to lower prices in all business areas, but increased all production parity off-

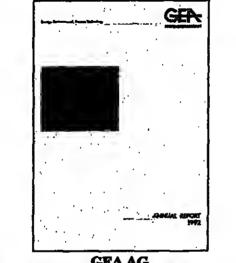
set the market downturn.

Statoil is organised in four business areas - Exploration & Production, Natural Gas, Refining & Marketing and Petrochemicals & Plastics. It had just over 14,000 employees at the end of last year.

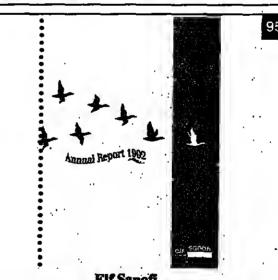


VICORP Restaurants, Inc.

VICORP Restaurants, Inc. (NASDAQ: VRES), headquartered in Deuver, Coknado, operates or franchises 408 mid-scale restaurants in 25 states with major concentrations in Arizona, California, Florida, the Rocky Mountain region and the upper Midwest. The Company operates its restaurants under the names Bakers Square and Village has and franchises restaurants under the Village Inn name. The Company also operates VICOM, a bakery production and food distribution division, as a support facility for its restaurant divisions. VICOM produces fresh quality ples for the restaurants' use and selective outside sale. Revenues for 1992 totalled \$418.1 million.



**GEA AG** The GEA Group reports a successful financial year for 1992. The level of orders received at DM 2.152 bn exceeded the previous year's level (DM 1.780 bn) by 2.1%. Sakes grow up by 28% from DM 1.682 bn to DM 2.159 bn. C8h flow increased and operating result is equally good as in the previous year. The Dutch Gresso Group was successfully turned round in the first year after his acquisition. The bakeover of companies in Hungary and in the Czech

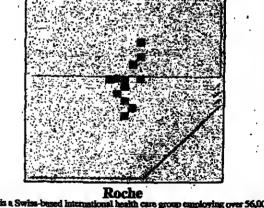


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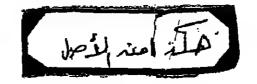
diagnosis and treatment of disease. In addition to planmaceuticals Roche is also engaged in the field of vitantina and fine chemicals, diagnostics, fragrances and flavours. In 1992 Roche Group consolidated sales rose 13% to reach Str. 12,953 million (US \$9,186 million) Consolidated net mome grew 29% to Str. 1,916 million (US \$1,359 million). Group research and development expenditure amounted to Str. 1,998 million (US \$1,417 million) which corresponds to 15% of group sales.

ge lim name. The Company also operates VICOM, a bakery produc- und food distribution division, as a support facility for its restaurant ons. VICOM produces fresh quality ples for the restaurants' use and tive outside sale. Revenues for 1992 totalled \$418.1 million.	GEA is able to continue its healthy growth during the recession.  Sales and orders received are each plasmed to total DM 2.7 bn.
I ne Financial Times Annual Report Servid	ce is appearing on 29, 30 June, 1, 2 July 1993

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a Synthetics	94 🗖 GEA AG	***	
orayon Utama	95 Elf Sanofi		
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## Speedy return on RTZ's move into US coal

By Kenneth Gooding, Mining Correspondent

RTZ CORPORATION, the world's biggest mining group, has already sold the three gold and silver mines it acquired in Fehruary when it made a \$470m (£313m) move into the US coal husiness with the acquisition of Nerco, the flourdering natural resources company owned by PacifiCorp.

Ironically, the recent rise in the gold price started by the high-profile activities of Mr George Soros and Sir James Goldsmith helped to speed RTZ's disposals, which will hring in at least \$40m.

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Also Nerco had decided to dispose of its precious metals mines before being acquired by RTZ. In 1992 Nerco recorded pre-tax provisions of \$310.2m to write down the assets to esti-mated net realisable value and to provide for disposal costs and estimated operating losses to the date of disposal

Minorco, the Luxembourgquoted overseas investment arm of the Anglo American Corporation of Sonth Africa, is paying \$21m cash for Nerco's Pikes Peak Mining Company, which owns 80 per cent of the Cripple Creek mine in Colorado. This mine last year produced 42,000 troy ounces of gold and 12,000 ounces of silver and has 1.4m ounces of gold in

Kinross Gold, a US company

**Tobermory** 

distillery in

BURN STEWART, the

independent Scotch whisky distiller, is to buy Ledaig malt distillery at Tobermory, Isle of

Mull. The deal, expected to be

announced loday, is estimated

The distillery, at present

owned by Mr Stewart Jowett, a

Yorkshire husinessman, will

give Burn Stewart the rights to

the Tohermory and Ledaig brands as well as stocks of

The distillery has had a che-

quered history. It was estab-

lished in 1833 hut was closed from 1928 to 1972, when it was

owned hy Distillers, and was

closed again for most of the

British Polythene Industries

has purchased certain assets from the receiver of Punchcraft

and its subsidiaries PC (Plastics) and Porter Hopkins,

which are located at Working-

ton, Cumhria, for £625,000 cash.

1991 and 1992 turnover of the

two companies was £5.51m and

Last month Polythene pur-

chased the polythene sack

business of Crown Sacks &

William Jacks, the motor

dealer, yesterday said that due

to insufficient distributabla

reserves it would pass payment

on its 3.5 per cent cumulative

in April, the group

announced pre-tax losses of

£417,000 (£850,000) for the 12

Explaura Holdings, the USM-quoted company which quarries limestone aggregates

in Newfoundland, showed an increased loss of £2.37m for 1992, compared with £2.11m.

From turnover of £1.56m

(£1.92m) operating profit was

£517,000 (£263,000). A reduction

in costs and expenses was out-

weighed by an exceptional

£774,000 had debt arising on

the cessation of New York dis-

tributorship. Losses per share

were 1.61p (1.66p).

months to end-January 1993.

Systems for £4.4m cash.

William Jacks

preference shares.

Explaura

25.36m respectively.

In the years ended March 31

**British Polythene** 

£1m sale

at aboul £1m.

maturing whisky.

NEWS DIGEST

formed from the merger of Plexus Resources, CMP Resources and 1021105 Ontario Corporation, is paying \$16.8m cash for Nerco's DeLamar goldsilver mine in south-west ldaho and the Candelaria silver mine

DeLamar produced 38,000 ounces of gold and 1.82m ounces of silver last year. Reserves include 787,000 ounces of gold and 17.5m ounces of silver.

in western Nevada.

Mining operations at Candelaria were suspended in November 1990 because its reserves were almost exhausted, but ore processing continued and the mine produced 2,000 ounces of gold and

Im ounces of silver last year.
The sale to Kinross also includes the American Mine gold prospect in California and the Dunka Road base metal mine in northern Minnesota. Nerco has also agreed in

principle to sell its Con mine in the Northwest Territories of Canada to Red Lion Manage-ment, a Vancouver-based con-

No price has been revealed so far for Con, a deep underground gold mine which produced 120,000 ounces of the

metal last year and has more than 1.1m ounces in reserves. The sale includes 16,700 acres of mineral interests around the mine in the city of Yellowknife of which only 12 per cent has been explored.

Inco, the principal share-

holder, continued to give assis-tance. On the financial side it

had made available a facility of up to \$450,000 (£300,000) to con-

tinue operations. Royal Bank

of Canada agreed to defer pay-

ments of principal and interest

Losses and special provisions

largely associated with the

ucts and has interests in prop-

erty investment, engineering

and insurance broking - lifted

sales to £33.5m (£30.9m), but

poor trading conditions contin-

securities firm.
Consideration is \$7.7m

(£5.13m) cash and an amount

of loan notes to be determined

hy a formula following a post-

completion audit. The present

Corporate Services

Corporate Sarvicea, tha

employment service concern, has issued £325,000 interest

free convartible unsecured

loan stock 2000 to Renaissance

Holdings as part of the consideration for its purchase of

Administrative receivers of

Renaissance are exercising the

right of conversion, and 203,125

Transport Development Group

is to close Translittoral, its

long distance trunking subsid-

iary based in Boulogne, at a cost of FFr100m (£11.7m).

The action has been taken as

part of a programme to stem

heavy losses and the cost will

be borne as a provision in the

Fleming

Flagship Fund

Société d'Investissement à Capital Variable

45, rue des Scilles,

1-2529 Howald,

Grand Ducky of Luxumbourg

RC Luxembourg No. 88478

Notice is hereby given that the following dividend will be paid:

FFF-FLEMING

STERLING BOND FUND

A dividend of 5.35p per share with be paid on 9 July 1993 to shareholders of register as at the close of business on

30 June 1993.

results to June 30.

shares will be issued.

Argosy Employment in 1991.

value is \$16m.

during the reorganisation.

Lister

year to March 27.

ued to hit margins.

unchanged at 0.1p.

At the meeting, Mr Colin Fisher, a with-profits policyholder, moved the transaction be adjourned for three months.

"This is a takeover [by Aegon] from day one," he said. He called for "proper scrutiny of the strategy that led to this position - only that can tell us if the people sitting opposite are the right people to be running the company."

#### restructuring of its furnishing operations, meant losses at City Site down Lister rose slightly, from 22.78m to £2.9m pre-tax, in the to £170,000 The company - which makes a wide range of textile prod-

Estates, the property investor, to record a pre-tax profit of £170,000 for the half year ended March 31 1993, compared with a previous Losses per share were 17.68p £199,000.

£518,000.

Earnings per share were 1p, against losses of 2p after pref-erence dividends.

LIT Holdings, the marketing services, investment and fund management group, has reached agreement for the dis-posal of LIT America, its US The company completed the disposal of Stockley House, London, for £26.6m, further futures and options clearing reducing exposure to the censubsidiary. The purchaser is a subsidiary of Spear Leeds and tral London market, and sold a Glasgow property for Kellogg, a New York based £2.45m.

used to repay £6m of term loan facility and to huy in £5m of its first debenture

#### estimate of the loan notes' face Belgian side

it produced £2.18m (£1.34m) from turnover ahead 34 per cent at £31.7m (£23.8m).

The outlook for the current

The distribution division

(£365,000) respectively.

#### **Extraordinaries** hit Cakebread

Part of the reorganisation at Cakebread Robey has been completed with the sale on Monday of its manufacturing companies, Clark Hunt Albion and Albion Design of Cambridge, for £1 to a company controlled by IMM Group.

All costs relating to the disposals were taken to the accounts for 1992, now published, in extraordinary charges of £4.45m.

Turnover feli 12.5 per cent to £20m and the loss of £1.7m before exceptionals was almost

### **Scottish** Equitable Dutch deal approved

By James Buxton, Scottish Correspondent

THE DEAL undar which Aegon, the Dutch insurance group, will acquire control of Scottish Equitable Life Assurance Society took an important step forward yesterday when with-profits policyholders approved the transac-

The deal means that the Edinhurgh-based institution will cease to be a mutual com-

At a special meeting the change was approved by 29,885 policyholders, with 1,491 against.

Only two policybolders voiced serious opposition to the deal, the largest demutualisation by a British life company. Scottish Equitable said it needs to make the change to bring in new capital to continne expanding its unitlinked busines

Under the deal Scottish Equitable will transfer all its business to a new company Scottish Equitable Plc, which will be 100 per cent owned by

Aegon will inject £40m into this company and also pay £200m for an initial 40 per cent stake in Scottish Equita-ble Pic's unit-linked and other non with-profit business.

The with-profits fund will remain for the sole benefit of with-profits policy holders. A voting trust is to be established to give additional safeguards for the rights of all

The motion to adjourn the meeting was defeated by 167-votes to eight.

A cut of £300,000 in interest charges enabled City Site

£5.6m but property ontgoing more than doubled to

Part of the proceeds were

### helps Wilshaw

A full year's contribution from its Belgian subsidiary in the distribution side helped Wilshaw lift pre-tax profits by 59

For the year ended March 31

Barnings per share came to 1.59p (1.07p) and the final divi-dend is 0.35p to make 0.5p

year was encouraging on all fronts, directors said.

markets components for agricultural equipment. It lifted sales to £16.2m (£10.3m) and operating profit to £1.91m (993,000).

In specialist metals sales were £11m (£9.03m) and profits held at £1.07m, while building products produced £4.46m (£4.42m) and £393,000

#### **COMPANY NEWS: UK**

Chinese show 'incredible' interest in fossil-fired turbine generators

### Power systems is GEC's star performer

POWER SYSTEMS, GEC Alsthom's operations in power generating equipment and transport systems, was the star performer among GEC's principal businesses with an order book up 24 per cent at £8.1bn. Profits rose from £157m to £174m, on sales of £3.1bn compared with £2.8bn.

China, Taiwan and Germany were among the countries ordering fossil-fired turbine generators. Lord Weinstock said there had been "incredible" interest from China which had yet to translate into

Orders were won for combined cycle gas turbine power stations in Europe and Asia including a 2,500MW power plant for Hong Kong and a 1,700MW station in the Nether-

Lord Weinstock said that GEC Alsthom's order book for rolling stock was now full for the next three years. Main contracts include 27 trains sets for the planned Paris, Brussels, Cologne and Amsterdam network, and 139 night service by territory of origin Operating profits £19m

coaches for the Channel tun-

The company managed to

achieve negative net assets of £81m on its power systems business because of pre-payments received for large capital projects. Apparently low margins achieved on such contracts were misleading, Lord Weinstock said, because of the interest which could be secured on the pre-payments.

However, both revenues and profits fell in telecommunications as orders for System X

Turnove Other £386m £1,914m

equipment from BT fell off rapidly. Sales of £1bn and operating profits of £106m were achieved, GEC said: "in trading conditions characterised by

Total 1993; \$9,298m

falling volumes and prices." The price GEC is able to charge BT for an individual line has fallen to less than a quarter of its value in the late 1980s because of the growth of miniaturisation and integrated circuits.

A BT order valued at £579m, principally software for advanced applications, is the

key to GEC's prediction of modest growth in sales and profits for the coming year. First half sales and profits, however, will be well down on

on 1992-93. Operating net assets were reduced by £120m as greater efficiencies are sought. Lord Weinstock warned that some parts of the company were beginning to invest in developments which would not reach the market. A review would be conducted soon to identify and cancel these developments: "It is not a big issue but 10 of these projects can end up costing you £100m a year" he said. Electronic systems, compris-

ing principally the defence misinesses, showed an increase in sales despite declining defence expenditure in the US and UK. Exports grew 38 per cent to £882bn and the order book advanced 9 per cent to a record £4.9bn.

Operating profits came to £264m after reorganisation costs and development expenditure on programmes for the Eurofighter 2000, equipment for the Merlin helicopter, the US F22 fighter and an in-flight

PROFITS AND TURNOYER BY ACTIVITY Operating profit Em 3,135 Power system 106 16 1,012 413 Office equipment 314 568 1,039 (134)

1993 OPERATING

9,298 695

entertainment system for United Airlines.
Other parts of the business which performed well included office equipment and printing, achiaved principally through the re-equipping and restruct-uring of AB Dick, the US-based office equipment supplier, and strong growth at Videojet, a

world leader in continuous ink

### Hardy Oil calls for £29m via rights issue

By Deborah Hargreaves

HARDY Oil and Gas has launched a rights issue which will raise £29.1m net enabling it to acquire more producing oil and gas fields and improve its cash flow. The directors said the issue was partly prompted by changes in North Sea oil taxes.

Hardy is issuing 22m new shares on a 1-for-4 basis at 133p each. At yesterday's

close the shares fell 3p at 159p.
"We want to bulk up our cash flow and boost the profit and loss account and the best way to do it is to buy

current production in the UK and overseas", said Mr Peter Elwes, chief execu-

Building up cash flow will put the company in better position to take on the heavy costs of financing future field development in the UK. Its share of development costs for the

Elgin and Banff fields could be as much as £120m, with work on Elgin expected to begin in 1995 and Banff the following

The proposed changes to Petroleum Revenue Taxes will have a short-term effect on the profit and loss account - hy removing a tax credit of nearly £7m enjoyed last year.
The government's transitional relief

will reduce the impact on cash flow. Mr Elwes said the rights issue would help the company cope with the change in taxes in the next two years, after which the reduced PRT rate will make its stakes in producing fields, such as the Forties, more

profitable.

Proceeds will be used to buy more interests in tha North Sea and possibly the Wytch Farm offshore development

position in Canada where oil production costs are as low as \$3 a barrel and buy some exposure to the North American

gas market. These assets will generate cash flow immediately which will help finance future growth. The debt to equity ratio was 44 per cent at the end of March and the rights issue will bring it down to 38

per cent. The rights has been underwritten by Lazard Brothers and brokers are Cazenove and Kieinwort Benson

## EASTERN ELECTRICITY ANNOUNCES EXCELLENT YEAR FOR CUSTOMERS, SHAREHOLDERS AND PEOPLE WHO USE GAS.

PRELIMINARY RESULTS For year ended 31 March 1992 £156.9m +19 OPERATING PROFIT £186.1m £183.4m £143.1m +28 PROFIT BEFORE TAX +30 EARNINGS PER SHARE 38.6p +15 19.2p 16.7p DIVIDEND PER SHARE

Cost reductions in place to yield on-going savings of

Prices frozen for 3 million customers. Each given a £5 efficiency bonus.

Additional £11m committed to meeting customer needs. £254m capital invested in the distribution network.

One of the UK's leading independent gas suppliers.

The many significant steps we have taken over the past year have provided the company with a very strong foundation upon which to grow as we take measured sreps towards our goal of becoming a more broadly based energy company. Dr James Smith, Chairman and Chief Executive.



Copies of the Annual Report will be sent to shareholders in and July. Additional copies may be intraned from the Company Secretary. Fastern (Tectricity ple, Whersteid Park, PA But 40, Whersteid, I porich, builfulk 1992AU

#### Nationwide. £300,000,000 Floating Rate Notes Due 1996 (Second Sense) Nutice is hereby given that the notes will bear interest at 6.1425% per annum from 30th June, 1993 to 30th July, 1993. Interest payable on 30th July, (993 will ammunt to £25.24 per £5,000 note Cu £252.43 per £50,000

vide Building Society

Agrac Renk Runne Brighers & Cas, Limited

# soya futures higher still

By Laurie Morse in Chicago

RELENTLESS RAINS in'the maize and soyabean-growing regions of the US are wreaking havoc on many grain farms and trimming US harvest prospects by the day.

Some desperate farmers are attempting to seed soggy fields by air, but others have abandoned the effort. Crops planted after the beginning of July. they said, would shrivel in the late summer heat.

The heaviest rainfall in 18 years has also stalled barge traffic on 500 miles of the upper Mississippi River, the primary transporation corridor for US grains headed for export at the US Texas and Lousiana gulf. Rising water has impeded navigation and lock operation.

Planting delays have sparked the biggest soyabean rally in four years at the Chicago Board of Trade. Sovabeans for harvest-time delivery rallied by high of \$6.60% a bushel yester-

Mr William Biedermann, vice president of Allendale, an agricultural research company, expects soyabean prices to reach \$7 before the rally ebbs. "We're forecasting fewer planted acres and lower yields." he said yesterday. There is no doubt the crop is

in trouble." The US Department of Agriculture planned to release its latest survey of farmer's planting intentions yesterday afternoon. But the survey, which was conducted early in June, will not reflect subsequent planting delays and private crop forecasters will trim 2m to 3m acres off the government's estimate to take account of these. Last year the US harvested 55 million tonnes of sovabeans, nearly three times

could be as small as 50m tonnes, Mr Biedermann said. With rising exports and a smaller crop, the margin between supply and demand could narrow to a dangerously thin 65m bushels (60 lb each), or less than two week's supply. he added. Ending stocks in the US have averaged 324m bushels over the last five years.

While maize planting is also lagging, maize prices have not exploded like those for soyabeans. Healthy carryover stocks from last year's record crop will cushion domestic and export buyers from a smaller crop, grain dealers say.

Mr Mike Espy, the US agriculture secretary, who yester-day surveyed the four states most affected by the rains, may release federal disaster payments to the hardest-hit farmers. Fifteen Iowa counties have already been declared state disaster areas.

### Weather havoc sends US | Reform brings fresh hope to Ghana's cocoa farmers

Leslie Crawford on prospects for the industry following the demise of the state buying monopoly

HANA'S LONG-suffer-Jing cocoa farmers are looking forward to better prices and prompt payment as private traders begin competing for their crops this month, ending the Ghana Cocoa Board's monopoly of the cocoa trade

Although Cocobod, as the board is known, will remain in charge of cocoa exports, three trading companies have been licensed to buy the crop at the farm gate. Competition is expected to be fierce, as Cocobod will pay a takeover fee of 54,000 cedis (\$90) a tonne on cocoa delivered to port.

The government last week et the new producer price for the 1993-94 season at C308,000 a tonne, a 19.4 per cent increase over the previous season. This is expected to function as a floor price, as competition between traders may bid up the amount offered to farmers. Traders are also promising to reimburse farmers quickly. Under the old regime, producers often waited for months for

Cocobod to pay up.
The reforms have revived the moribund co-operative movement in Ghana. More than 200,000 farmers have combined to form the Ghana Co -operative Marketing Association - one of the three companies to have won a trading licence from the government. Co-operative's members are both nervous and excited at

the challenges that lie ahead.

They have been busy obtaining bank loans to finance their start-up costs - fleets of trucks, weighing scales and tarpaulins to shelter their purchases. They have also approached aid agencies for

elp.
"Wa will only know how good the business is after the first season," says Mr Kojo Danso-Mensah at the co-op's ramshackle offices above a chicken farming outlet in the heart of Accra. "But we are promising our members a bonus depending on how much profit wa make. Producers will get their money as fast as we can deliver the cocoa to port."

The traders insist that competition will not ba at the expense of quality, as Cocobod will still oversee quality control at buying points. Mr Osae Annoh, the co-op's

treasurer, says farmers have also benefitted from the privatisation of Cocobod's unprofits ble farms. He and three colleagues bought a 200-hectare (495-acre) estate from the government last year. "If you can prove your knowledge and interest in cocoa farming, you can buy these farms at onetenth of their real value," he says. With more state farms up for sale, Mr Annob predicts that "the co-operative movement will get a new lease of life with the government's privatisation programme". He planted 20,000 cocoa seedlings

began in mid-June, looks promising. The timely rains that fell between March and May have led the government to forecast production during 1993-94 at 285,000 tonnes, up from 275,000 tonnes in 1992-93, Nevertheless, export revenues in 1993 are projected to fall to \$280m from \$303m last year and over \$500m in 1986, when cocoa prices

were at their peak. Mr K.J. Adiel-Masfo head of the cocoa policy unit at the "Castle", the government seat in Accra, says his main objective at a time of plummeting cocoa prices is to maintain farmers' incomes, as 60 per cent of the rural population depend on this cash crop.

It has not been an easy task. The Cocobod's bloated bureaucracy has been slashed from 100,000 employees to 46,000 and another 20,000 jobs are to go within the next five years. The lay-offs have not made

me a popular man, but they were necessary to stave off the collapse of the industry." Mr Adjel-Maafo says. To trim costs further, Cocobod's farms and chocolate factories have been privatised, and internal marketing opened to private sector competition.

In spite of these measures. farmers are being paid only about half of the international market price for their crop. Cocobod's marketing, process ing and agricultural extension services consume the remain-

Farmers are being paid only about half the international wice.

ing income. The government's target is to put at least 60 per cent of cocoa's market value into farmers' pockets. And he believes farmers are already responding to higher prices with better crop management. The average yield last season increased by 44 per cent to 405 kg a hectare. This, however, is still only half the level achieved in the neighbouring

gest cocoa producer. There are more worries for Mr Adjei-Maafo. Ghana's efforts to give its farmers a better deal have led to a great deal of smuggling from the Ivory Coast, where the government has slashed its cocoa purchasing prices to remain competitive. The "contamination" of Ghana's premium quality cocoa with its neighbour's inferior stuff is viewed with understandable apprehension. Strugglers who are caught are being

charged with "economic sabo-

market is becoming increas-

ingly global for UK Farming

ise on their high standards of

hygiene, environmental friend-

suggests. They should also

start to add value by process-

ing their production, and col-

laborate with others in market-

He points out that consum-

ers last year spent £70bn on

food, while UK agriculture's

share was only £14bn. "There

is a massive opportunity for

our farmers and growers - in

the UK market alone - to seize

a bigger share of consumer

spend by moving up the food

Competing in Changing Mar-

kets, 20 pages, free from Adas,

Oxford Spires, Kidlington,

chain," says Mr Hall,

Oxon OX5 1NZ.

HEATING OIL 42,000 US galls, conta/US galls:

Latest Previous High/Low

ness and animal welfare, he

UK producers should capital-

Ivory Coast, the world's big-

tage", a crime punished by life imprisonment.

Mr Adjei-Maafo is also bitter about growing competition from Asian producers such as Malaysia, which has overtaken Ghana as the third largest exporter after the Ivory Coast and Brazil. "Processing factories are learning to blend Asian beans with our premium produce, driving down prices and quality," he explains.

The outlook, he says, is grim. He does not see any improvement in cocoa prices over the next decade. And the government of Ghana, while not discouraging cocoa farmers, is not encouraging them to expand their farms either. The government hopes some farmers may he persuaded to switch to more promising export crops, such as pineapples. But the overriding importance of cocoa to the Ghanaian economy means that it will continue to depend on the world's taste for chocolate

Hanson

ranted on

Ch Highs and

WE FOR YOUR

[Sdeal

### LME says goodbye to sterling

the amount of the next biggest

By Kenneth Gooding, Minina Correspondent

THE LONDON Metal Exchange today ends a tradition dating back 110 years. Copper, its "flagship" contract, which since 1883 has been quoted in sterling during the twice-daily open outcry sessions in the "ring" and in kerb (after hours) trading, will instead be quoted in US dollars.

Lead, quoted in sterling since the contract was launched in 1903, is also switched to dollars. Mr David King, LME chief

executive, said yesterday the changes "reflect the needs and wishes of our industrial clients and our members." All other long-running LME contracts - for primary aluminium, nickel, tin and zinc have been changed in recent vears for the same reasons and the latest, for aluminium alloy, was launched as a dollar con-

However, LME members previously had resolutely stood out against changing the copper and lead contracts even though most physical transactions as well as pre-market and inter-office business was conducted in dollars. Some traders claimed trading in sterling often provided opportunities to make extra profit from arbitrage and foreign exchange

transactions. Minds were changed during last November's turmoil in currency markets, which resulted in the UK's withdrawal from the European Community's exchange rate mechanism. Dealers complained that trading virtually ground to a halt at that time because it was impossible to convert sterling prices into dollars on forward contracts. When the LME held a poll, 70 per cent voted in favour of switching copper and lead to dollars.

Mr King said that the exchange had made arrangements to provide a daily sterling quote for copper and lead contracts that still had some time to run.

 The London Futures and Options Exchange (Fox) today changes its name back to London Commodities Exchange

present 31m tonnes, 25m

### Study reveals wide range of UK farm earnings

By David Blackwell

THE TOP 25 per cent of arable farms in East Anglia, the UK'a main grain growing region, earn 176 per cent more per hectare than average farms in the same area.

The latest government figures show that the average East Anglian combinable cropping farm had a net income of £131 a hectare and a gross mar-gin of £592, according to a report to be launched at the Royal Agricultural Show this weekend. The top farms earned £362 a hectare on a gross margin £832.

The report - Competing in Changing Markets - has been put together by Adas, the farmtive agency of the Agriculture Ministry. It describes the gap between the high and average earners in the arable sector as "startling".

We are seeing the introduction of more open market con-

E/tonne

738 710

UK tarm Income "The entrepreneurs are constantly looking for ways of ainst food spending reducing costs and opening up new opportunities for growth," says Mr Hall, "Some farmers appear less willing to do so, either through complacency or simply because they are happy with a lower return. Consumer spending on food in the UK "But it is not certain how much longer they will be able to earn a living from a lower return." he warns.

On arable farms in the north of the country average net Value of agricultural income per hectare was £92 (£14bn 1992) while the top farms earned £256, or 178 per cent more. In the south the average was £107, compared with £224 at 0 ----the top farms. 1961-3 88 89 90 91 92

In the more controlled dairy sector, the difference between top, and average performers was much narrower - between David Hall, Adas marketing 8 and 13 per cent.

Mr Hall argues that in order to survive, farmers will have to develop their business acumen and adopt a more market-led

#### British Gas in Polish oil approach. "We are entering an exploration deal age of stiffening competition in which the safety net of EC support is wearing thin and the

By Christopher Bobinski in Warsaw

BRITISH GAS and a Shell-Exxon consortium are to be granted petroleum exploration rights in Poland with talks on a final agreement expected to be completed in August, Pol-ish officials have said.

The concessions are to be granted under a tender opened early last year and a new tender covering in eastern Poland is expected to be announced following completion of the present talks. The areas under discussion are east of Gdansk and west of Warsaw.

Last October Amoco signed a US\$20m oil exploration agreement for areas south-west of Warsaw and south of Lublin in the east. This was followed this week by an agreement to spend US\$10m over three years drilling for methane in Silesia.

Chicago

### Chinese coal export surge predicted

CHINESE COAL exports will reach between 30m and 35m tonnes a year by the year 2000, according to a senior official in China's coal industry, reports Reuter from Sun City, South

Mr Hua Zugui, deputy managing director of China Coal Import and Export Company, gives the figures in a speech prepared for delivery at an international coal conference here. He says exports reached 20.2m tonnes last year - 80 per cent of it shipped to other Asian countries - compared with 6.44m tonnes in 1982.

"The fact that China has been able to more than double her exports in just one decade

reflects the competitiveness of the Chinese coal industry within the world market," Mr Hua says. "The improvement of China's railway system and port facilities remain tha key tasks for increasing coal He forecasts that China's

annual demand for coal will reach 1.23bn tonnes by 1995 and 1.4bn tonnes by the end of the century. Japanese steam coal demand could more than dou-

ble by the year 2002, a senior Japanese power company officlal will tell the conference. "It is estimated that demand for steam coal for the electrical

industry will rise from the

Previous

163.75

167.25

172.25

175.75

High/Low 165.50 164.00

168.50 167.75

171.25 170.50

173.60 173.00

market's strength has been helped

tonnes imported, to some 75m. tonnes in 2002 or a decade later," aays Mr Koichi Takewaka, fuel department director at the Electric Power Development Company. He adds that the long-term, stable procurement of imported coal has become very important. South African coal exports could reach 77m tonnes annually by the year 2000, says Mr David Kotze, director of energy studies at the Rand Afrikaans University in Johannesburg, in his speech prepared for the

conference. He says exports through the Richards Bay ter-

minal should grow to 53m tonnes a year by 1995.

COCOA - LCH

Close

**WORLD COMMODITIES PRICES** 

LOHDON I	MIRTAL EXC	HANOE		P	rices sup	plied by Am	dgamar	d Metal Tracks
	Close	Previous	High/Low		M Officia	Kerb d	CRE	Open Interest
Akuminkum,	99.7% party	(\$ per tonne)				Total o	letty turn	rover 52,456 fol
Cash	1232-3	1204.5-5.5			220,5-1			
3 months	1255-6	1228-6.5	1280/1236	1	243.5-4	1248-9		221,958 lots
Copper, Gr	ade A (£ per	tonne)				Total c	telly turn	kover 95,584 lot
Cesh	1273.5-4.6	1242-4	1264		264-4.5			
3 months	1286-7	1258-7	1289/1273	1	274.5-5	1286-7		227,484 lots
Leed (£ per	tonne)					Total	dely tu	mover 4,485 lot
Cash	258-6.5	258-8			58-8.5			
3 пюпата	269-0.5	2 <del>69-7</del> 0	271/268	2	89.5-70	270-1		21,795 lots
Nickel (\$ pe	er tonne)					Total	daily tu	mover 6,251 lot
Cash	5305-70	5350-5			345-7			
3 months	5424-5	5410-5	5435/5410	5	406-10	5415-20		50,186 lots
Tin (\$ per to	anne)					Total	daily tu	mover 2,776 los
Cash	5075-65	5080-5		6	070-5			
3 months	5130-5	5135-40	5200/5120	6	125-30	5190-20	00	10.159 lots
Zine, Speci	el High Grade	(S per torne)				Total	delily tur	nover 9,509 lot
Cash	926-7	916.5-7.5	921.5		21,5-2			
3 months	944.5-5	935.5-6	947/940.6		10-0.5	943-3.5		71,066 lots
SPOT: 1.48	IULLION MA				northic 1.			months: 1,470;
Gold (troy o	plied by N M zi S price	Houseand)	ient					
Close	378.00-378	1.91		GOLL		oz.; \$/troy o		
Opening	378.50-37				Close	Previous	High/l	
Morning fix		251,326		Jul	378.4	378.6	Q	0
Ademoon &		250.430		Aug	379.2	379.5	381.0	978.4
Day's high	379.50-38			Sep	\$80.2 381.1	380.5 381.4	0 382 4	0 380.8
Day's low	377.50-370	1.00		Dec	382.9	383.2	384.9	382.2
oco Ldn I	dean Gold La	ending Rates (V	ussi	Feb	384.5	384.8	385.2	384.5
month	2.49	8 months	2.50	Apr	385.1	386.4	387.5	386.0
? monthe	2.50	12 months	2.60	Jun	387.7	365.0	358.2	385.2
morning	2.50	IS INCHIA	206	Aug	389.5	389.8	390.0	390.0
	p/troy oz	US cts e	cutv	PLAT	NUM 50 1	roy oz \$/tro	y 02.	
Silver fix					Cloue	Previous	High/L	OW
Silver fix	203.60	457.80						
Spot	303.60	457.80		.bd		384.7	387.5	384.0
Spot months	307.95	460.95		Jul Oct	388.0 388.5	384.7 387.5	387.5 389.8	384.0 387.0
Spot				Jul Oct Jan	366.0			

ditions in agriculture," says Mr

director. This was beginning to

highlight the difference

between entrepeneurial and

traditional farmers.

1.4835		3 mon	tha: 1.4	<u> </u>	61	months: 1.	4767	9 mc	inthes 1,4
ON BULL			BcQ .	_	Ne	w Y	ork .		
troy oz} \$	price		wurbe 3	dent	COL	100 troy	oz.; \$/troy o	2	
	78.00-376 78.50-376			_		Close	Previous	High/Low	
	79.00		251.326		34	378.4	378.6	0	
	78.45		250,430		Aug	378.2	379.5	381.0	378.4
high 37	79.50-380	LOO			Sep	380.2	380.5	0	0
low 37	77.50-376	1.00			Oct	381.1	381.4	382.4	380.8
Ldn Meso	A-14 1 -			L DOS	Dec	382.9	353.2	384.9	382.2
LOS MOSS	GOIG LA	uctual 1	HEDDE (A	a nasi	Feb	384.5	384.8 386.4	385.2	384.5
ith	2.49	8 mor	nths.	2.50	Apr	385.1 387.7	365.0	387.5 388.2	385.2
the	2.50	12 mc	mths	2.52	Jun Aug	389.5	389.8	390.0	380.0
the	2.50								360.0
fix of	troy oz		JS cts	ecuty	PLAT	NUM 50 1	roy oz. \$/tro	y oz.	
	3.60		157.80			Close	Previous	High/Low	
	7.95		100.95		Jul	366.0	384.7	387.5	384.0
	2.20		184.25		Oct	306.5	387.5	389.8	387,0
rathe 32	0.65	4	73.40		Jan	389.0	388.0	390.0	388.0
					Apr	352.5	386.5	391.0	339.0
COBBS					SELVE	FR 5,000 to	oy oz; centa	ftroy cz.	
	\$ price		£ equiv	wicot		Close	Previous	High/Low	
			251.00		Ju	455.8	456.3	480.0	454.5
	378.50-8 386.00-3		-ONTICE	2200	· Aug	457.1	457.9	459.0	459.0
	90.00-93.		69.00-6	1.00	Sep	458.7	459.0	464.0	457.0
	*******	~	00.00-0	1.30	Dec	463.7	464.5	460.0	482.0
					Jan	464.3 468.3	485.1 489.1	472.0	0 468.0
ED OPTIO	MCG.				Mar May	406.3 471.9	401.1 472.7	475.0	471.0
dum (99.79		Catte		Puts	Jul	475.1	475.9	479.0	474.5
POLICE (1992) 7	-,	-			Sep	478.7	479.5	483.0	479.5
price \$ ton	ne Aug	Oct	Aug	Qet	Dec	484.2	486.0	487.0	484.0
	72	96	10	16				00 lbs; cent	
	54 40	79 64 -	17 27	26 36		Close	Previous	High/Low	
45					.bd	86.80	85.06	86.80	84.86
r (Grade A)	'	Calls		Pute	Aug	88.1S	85.50	0	0
	125	148	14	37	Sep	88.50	85.90	86.70	85.50
	88	115	28	54	Öct	96,80	98.05	86.25	88,25
	50	88	48	77	Nov	86.65	88.25	0	0
		•			Dec	86.75	86.45	88.50	88.50
		-:-			التحل	86.80	86.65	86.50	86.80
	Sep	Nov	Sep	Nov	Feb	88.90	88.90	86.90	86.90
	76	88	•	23	Mar	87.00	.87.10	87.10	86.30
	42	50	25	44	Apr	87.10	87.25	0	0
	20	39	88	74	CRUD	F OIL () H	16 42.000 LE	S gatts \$/ber	TOL:
	Sep	Dec	Sep	Dec		Latest	Previous	High/Low	

-				_	
•	Jul	52.45	52.56	52.85	52.45
	Aug	52.85	52.87	53.25	52.85
5	Sep	63.90 55.00	63.93 55.00	54.20 55.25	53.80 54.90
Ť	Nov	56.05	58,07	56.30	56.96
	Dec	57.80	57.07	57.30	57.00
13	Jan	57.51	57.67	57.90	57.66
_	Feb Mar	57.70 56.60	57.52 56.42	57.80 56.75	57.75 56.60
_	Apr	55.35	55.22	55.75	55.75
75			nes;\$/tonne		
_		Close	Previous	High/Lov	
	Jul	880	874	880	876
	Sep	903	900	908	895
=	Dec	931	930	939	925
×	Mar	967 977	980 980	962 0	963
	Jul	993	1001	1005	. 1005
-	Sep	1021	1024	0	0
3	Dec	1043 1076	1046 1079	1045 1077	1045
	May	1101	1104	0	0
			,500lbs; cer		
-		Close	Previous	High/Low	
-	Jul	59.90	59.25	59,95	69.00
-	Sep	61.35 63.70	60.60 63.10	61.40 63.80	60.35
	Mer	63.76	66.60	66.05	62.60
	May	67.35	67.10	67.80	67.55
	Jul	68.95	69.05	69.35	69.90
	Sep	70.65	70.30	70.80	70.80
	SUGA	Close	711 112,0 Previous		
•				High/Low	
•	Jul Oct	9.95 10.45	6.34 10.05	10.05	9.52 10.10
	Mar .	10.32	10.00	10.46	10.05
	May	10.32	9.97	10.32	10.05
	Jul	10.18 10.10	9.88 9.84	10.18 10.09	9.97 · 9.90
			cents/ibs		
		Closs	Previous	High/Low	
	Jul	54,60	54.40	55.50	54.60
	Oct	66.85	56.77	57.70	56.60
	Dec Mar	57.35 58.25	56.82 57.85	57.85 58.75	56.70 57.80
	May	58.75	58.50	59.00	58,60
	Jul	89.30	59.10	59.30	58.20
	Dec	60.25 60.25	60.20	60.40 60.50	60.20
			15,000 lbs;		- Land
		Close	Previous	High/Low	
	Jul	120.00	120.50	120.80	118.20
	Sep .	124,00	124.25	124.90	122.15
	Jan	126.60 128.50	126.50 128.10	127.50 128.50	125.00
	Mar	129.70	129.70	128.70	128.75 128.50
	May	130.35	131.05	130,30	129.50
	Jui See	150.35	131.05	0	0
	Sep Nov	129.35 129.30	131.05 131.05	0	0
					•
	RHIDH				
	REUT		e:Septemb	r 16 1931 :	100)
	<b>_</b>	Jun 30	Jun 29	minth ago	yr 200
	l	1658.5	1687.9	1865,2	1556.1
	) BOW		Base: Dec.		_
		Jun 29	Jun 28	math ago	yr ago
	Spot	120.13	120.53	120.03	119.03
	Futures	119.86	120.24	121.57	120.29

	Close	Previous	Markett over		
_			High/Lov		
Jul Aum	652/4	633/2	654/4 657/4	638/0	
Aug Sep	656/2	634/6	658/D	640/4	
Nov	658/4	037/0	000/4	642/4	
Jan	051/4	640/4	863/4	645/4	
Mer	665/0	644/4	686/0	849/0	
May	068/0	646/2 . 60,000 lbs; 4	066/0	649/0	_
SUL	Close	Previous			_
Ju	23.65	22.61	High/Low 23.65		_
Aug	23.61	22.86	28.83	22.82 23.01	
Sep	23.95	22.95	23.95	23.16	
Oct	24.10	23.10	24.10	23.35	
Dec	24.31	23.53	24.33	23.57	
len Aus	24.40	23.53	24.40 24.53	23.65	
Vary	24.55	23.64	24.55	23.80	
_		AL 100 tons;		2030	-
	Close	Previous	High/Low		_
M	203.6	198.3	204.8	199.9	-
lug	203.3	198.2	205.0	199.5	
Sep.	203.5	198.4	205.3	200,0	
Oct Occ	203.3	198.7 199.8	205.0	200.5	
len .	204.7	199.5	207.0	201.5 201.8	
dar.	203.7	199.1	208.0	202.0	
Asy .	203.2	199.5	205.0	202.0	
	E 5,000 bu	min; cents/50	Sto bushel		_
	Close	Previous	High/Low		_
ď	222/8	217/8	224/6	218/6	_
lep	229/0	224/4	231/0	226/0	
ec ter	238/2	283/4 240/8	239/8	235/0	
in.	249/5	245/4	245/4 251/0	242/4	
WE	T 5,000 bu	min; centu/6			-
	Close	Previous	15gh/Low		_
ul	286/0	279/2	288/0	280/4	_
ер	287/2	284/4	292/0	285/6	
lec far	296/6	295/0 301/0	302/2	296/0	
	304/4	300/0	307/6	301/4 . 301/0	
IVE (	ATTLE 40	,000 lbs; cent	a/ibe		
	Close	Previous	High/Low		-
ug	75.050	74.725	75.100	74,850	_
ct	75.125	74.700	75.350	74.000	
ec eb	75.550	75.125	75,700	75.100	
90 PT	75.350 76.460	74.975 76.150	75.A26 76.575	74.975	
	73.550	73.025	78.575 73.500	78.175 73.250	
VE H	10GS 40,00	O Ib; centa/lip	•		-
	Close	Previous	High/Low		-
nţ.	47.850	47.575	47.800	47.990	-
ug	. 44.900	44.875	45.350	44.700	
et 	40.300	40.300	40.725	40.175	
ec sb	40.950 41.200	40.550 40.850	41.000	40.500	
pr	40.250	39,875	41,400 40,800	40,000	
<b>m</b>	48.100	45,750	40.100	40.000 45.760	
DFIK	BELLIES 4	0,800 Yos, cer	nts/lb		-
-	Close	Previous	High/Low		-
	32.900	32,950	39.400	32,700	-
9	32,900 32,075	32.950 31.975	33,400 32,500	32,700 31,800	-
4 4	32.900	32,950	33.400		-

#### MARKET REPORT

BASE METALS prices fell away from the highs yesterday afternoon on the London Metal Exchange, aithough most were still higher on the day. Three months ALUMINIUM retreated from a high of \$1,260 a tonne in after-hours trading, with talk circulating that other North American producers did not intend to follow Alcoa's lead and cut production. But the price still ended \$17 to the good at \$1,248 a tonne. Three months COPPER consolidated above \$1,900 a tonne but could not overcome resistance around \$1,915 a tonne, the top of the recent technical range, dealers said. Tha

#### **London Markets**

London Med	HC CO		30000		
SPOT MARGOETS			White	Close	Pre
Crude oil (per berrel POB)(A	ug)	+ or -	Aug	277.80	272
Dubel	\$15.29-5.33	32 - 185	Oct	269.00	263
Brent Siend (dated)	\$17.38-7.40		Dec	270.40	261
Brent Blend (Aug)	\$17.63-7.65		Mar	270,50	263
W.T.J (I pm est)	\$18,95-8,97	z - 135	May	270.00	200
Oli products			Aug Oot	274.00	265
(NWE prompt delivery per t	onne CIF	+ or -			
Premium Gesofine	\$200-202	+1		471 (2295) 11.67 Oct	
Gas Of	\$188-167	+1	, and 100	71.07 000	
Heavy Fuel Of	\$60-61		CRUIDE	OEL - 677	-
Nephtha	\$170-172				_
Petroleum Argus Estimates				Leiter	st
Other		+ or -	Aug	17.8	3
3old (per tray ex)#	\$378.25	+1.80	Sep	17,8	2
Silver (per troy oz)\$	456.5c	+9.0	Qut	17.99	•
Pletinum (per troy oz)	\$385.65	+1.55	Nov	16.10	3
Palladium (per troy oz)	\$138.00	+2.25	Dec	18.28	3
Copper (US Producer)	89.50c	+0.50	IPE Inde	ex 17,65	,
lead (US Producer)	33.50c	+0.30	Turrowa	r 12731 (2	4022
Tin (Kuele Lumpur market)	13.04r	+0.24			-
fin (New York)	238.5c	+3.0			
Inc (US Prime Western)	62.0c		GAS OF	L - PE	
Cattle (five weight)	.139.66p	-0.53		Close	Pre
şaeb (ine meilist) deseg	108.21p	-8.04*	· <del></del>		
ige (Ive weight);	65.65p	-1.64*	Jel	164.75	163
ondon daily sugar (raw)	\$260.1	-6.8	Aug	166.25	165
ondon daily sugar (white)	\$273.5	-4.0	Sep	167.75	167
ste and Lyle export price	C290.0	-4.0	Qct	170.75	170
			Nov	173.00	172
Parley (English feed)	Unq		Deo	175.25	174
datze (US No. 3 yellow)	2168.51		Jen	176.25	175
Wheet (US Dark Northern)	£147.0u		Turnover	14686 (7)	99 <b>8</b> ) i
lubber (Aug)♥	58.50p	-0.50			-
Aubber (Sep) V	59.00p	-0.50			
Autober (KL ASS No 1 Jul)	207.0m	+0.5	1		
Coconut oil (Philippines)§	\$440.0v	-5.0	WOO	L Ustralien e	_#
Patro Oli (Maleysten)§	\$345.0y	-2.5		he wake	
XXXX (Philippines)§	\$290.0	+5.0		higher tha	
Soyabeens (US)	£191.0x	+1.5		but tendi	
Cotton "A" index	57.10c	-0.15	ciose.	The Snal v	oleon
Vooltops (64s Super)	362p			mactic fluc	
a tonne unless otherwis	n stated			rong rise	
cents/lb. r-ringgit/kg. y-Ju	VSep. z-Aug.	v-Sep/Oct		activity t	
-cents/lb. r-ringgit/kg. y-Ju -Jul t-Jun x-Aug/Oct ♥Lend	ion physical."	CIF Pot		April. Ho wool price	
certains. A Builden musical ata	es m Liele-		1	TOTAL PARTY	-

higher than at the end of the previous, but tending to soften a fraction at the.

The final weeks of the season saw small traction fuctuations but no resumption of and emactic fluctuations but no n the strong rise which led to key

			Chuquicamata	Ju	719	709	736 710
					714	708 711	720 709
		tions of h		Dec Mar	716 726	723	716 710 726 712
drawd	lowns i	n stocks.	. But dealers	Mary	738	734	738 734
wame	d that	orices m	ight head	Jul	750	745	753 749
		f there w		Sep	782	756	764 762
			tt's Bingham	Dec	780	774	783 780
	-			Mar	797	793	805 802
			the labour orday. The	May	912	805	914
COCC a peal	osition OA futu k of £7:	on the L res mark 36 a tonr		for Ju	indicator p	1 (713.02) 1	per tonnes per tonne). O day aven
short-	coverin	g ahead	of first notice	COTT	E – LCE		
		ries agai			Clops	Previous	High/Low
			ber contract	Jul	883	891	893 884
			e, up £6.	Sep	917	918	918 910
Con	piled	from Re	uters	Nov	815	917	918 913
				Jan	911	914	916 910
SUGAR -	LCE		& per tonne	Mar	911	916	918 910
Oct Dec Mar	269.00 270.40 270.50	263.70 263.20	269.00 263.00 270.40 284.50 270.50 284.00	(54.67) BOTA	TOES - 14	-	
May	270.00	263.70 266.70	270.50 269.20		Close	Previous	High/Low
Aug	274.00	269.70	274.00				
Oct	268.00	262.70	268.00	Apr	86.8	85.2	87.0 85.5
	71 (2295) .67 Oct 1		(FFr per tonne):			lots of 20 to	onres.
COURT	OUL - IPE		\$/berre	•	MEAL - 1		
CHOOL					Close	Previous	High/Low
	Lakest	Previous	High/Low	- Oct	154.80 154.00	153.30	
Aug	17.63	17.86	17.78 17.82	Turnov	er 0 (0) lot	of 20 ton	166.
Sep Oct	17.82 17.99	17.84	17.86 17.82				
Nov	16.16	18.02 18.18	18.13 17.99 18.23 18.16		HT - LCE		\$10/
Dec	18.28	18.35	18.33 18.28	7,000	MT - LCA		ŞTUVI
IPE Index		17.57	18.33 10.20		Close	Previous	High/Low
				- Jul	1506	1326	1520 1806
Turnover	12731 (24	022)		Aug	1277	1299	1295 1277
				Qet	1375 1380	1395 1402	1380 1375 1385 1380
GAS CIL	196		Channe	. Nov	1392	1415	1400 1392

	Close	Previous	High/Low
Jul	893	591	893 884
Sep	917	918	918 910
Nov	915	917	918 913
Jan Mar	911 911	914 916	916 910 916 910
CO Ind Comp. (54.67)	testor pric delly 54.0	1002) lots of es (US centr 03 (54.94) 1	o surmes per pound) for Ju 5 day average 5
POTAT	OES - 14		£/kc
	Close	Previous	High/Low
Apr	86.8	85.2	87.0 85.5
Turnove	r 33 (34)	lots of 20 to	MP66.
OYAN	MAL - 1	*	£/to
	Close	Previous	High/Low
Aug Oct	154.80	153.30	
	154.00	158.30 s of 20 torm	
LITHOW	ru (u) iod	E OF 20 1011	<b>66.</b>
- Cal	IT – LCE		\$10/Index.p
	Close	Previous	High/Low
ul	1506	1328	1520 1506
)et	1277 1375	1299 1395	1295 1277 1380 1375
lov	1380	1402	1385 1380
<b>ler</b> i	1392	1415	1400 1392
押	1473	1484	
Turnovė	250 (206	9	
<b>TAN</b>	- LCE		£Aa
Vineat	Close	Previous	High/Low
Sep	106.15	106.30	108.00
lov	107.85	107,90	107.80 107.60
an	110.35	110.45	110.35 110.20
AGE Amu	112,80 114,60	112.85 114.90	112.55 112.35 114.80 114.60
Anny			
larley 	104.40	Previous 104.65	High/Low
lep lov	104.40	107.16	
LITIOVOI	. Wheat 4	2 (97), Bark	y 0 (139).
		QU Tonnes.	
105 -	LCE	- (	Cash Settlement) p
	Cicee	Previous	High/Low
u	109.3	108.5	109.0
ug .	104.3	103.8	104.0
ep -vy	104.7	104.3	104.5

TRADI Alemin Strike ; 1170 1200 1225 Copper 1800 1850 1900

1700 1750 1800

18.94 10.19 18.40 16.60 19.65 19.90 19.90 20.00

Aug Sep Oct Nov Dec Jan Feb Mar Apr

19.01 19.27 19.47 19.62 19.73 19.82 19.88 19.93 19.97 20.01

19.14 19.38 19.57 10.72 19.83 19.99 19.99 20.10 00.08

18.93 19.19 18.40 18.58 19.80 19.80 19.90 20.00 20.00

#### LONDON STOCK EXCHANGE

## Late rise sees Footsie close at 2,900

By Steve Thompson

THE LAST trading session of the half-year saw UK equities stage a strong late move to regain the 2,900 level on the FT-SE 100 index, shrugging off the effects of what was initially seen as a disappointing outcome to the latest gilt auction. The catalyst for the recovery

in equities was the announcement in the early afternoon of Hanson's acquisition for \$3.2bn of Quantum Chemical, the US polyethylene manufacturer and the subsequent rally in gilt-edged stocks after the mar-

Declorated by the second

\$ 25.00 to \$5

A SHALL SELECTION OF SELECTION

tion deal

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5 4.2 86.2

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 $|\nabla u^{(k)} - \nabla u^{(k)}| \leq ||u^{(k)} - u^{(k)}||^{2 + \varepsilon}$ 

and the subsequent rally in gilt-edged stocks after the market had time to rethink its views of the gilt auction.

In Germany the Bundesbank lowered its repurchase rate from 7.59 per cent to 7.58 per cent, a move which did nothing to dispel market hopes that a reduction in Germany's key discount and Lombard interest rates could he on the cards bolton and Lombard interest rates could he on the cards bolton bolton and Lombard interest rates could he on the cards bolton bolton and Lombard interest rates could he on the cards bolton bolton and Lombard interest rates for the Bundesbank's policy making council meets in Leipzig.

Senior dealers in London said the faltering recovery in the US and the French unemployment figures pointed to further reductions in international interest rates. "Even if the US and the French unemployment figures pointed to further reductions in international interest rates." The FT.SE 100 opened around two points easier.

The FT.SE 100 opened around the unequilibrity of the companion of the companion of the unique of the unique of the companion of the unique of t

unsettled by Wall Street's overnight decline, hut quickly moved into positive territory during the first hour of trading a good rally.

under pressure before staging higher at a peak 3,235.7. Turnover in equities totalled 550.4m following an upturn in the FT-SE future and the appearance of some keen huying interest in the leaders, notably in the financial sectors.

However, news that the record £3.25bn gilts auction was subscribed for only 1.1 times, against expectations of 1.5 to 2 times, undermined con- although the latter kept up its fidence in gilts which came good run, ending the day 6.6

Only marginally higher over

the lunchtime period, the FT-SE 100 moved into overdrive when the Hanson acquiexactly 2,900 at the close, easily outpacing the more slug-gish FT-SE Mid-250 index, TRADING VOLUME IN MAJOR STOCKS

shares, marginally down on Tuesday's level. After dipping below the £1bn on Monday, the value of customer business in sition news was announced. the market increased to £1.1bn
The index settled 14.0 up at on Tuesday, according to Stock Exchange figures.

The market's latest newcomer, Devro international, staged a sizzling debut, at one point racing up to a 26p pre-

| Second | S

price before easing back. Bank shares raced higher led by Barclays after a join research document prepared hy Robert Flemings and Du and Bradstreet focused on the 63 per cent proportion of Bar clays' property book in the South East. TSB moved higher amic dubious stories that the bank's Hill Samuel merchant hank

was about to be sold for £780m Standard Chartered stood ou as a lone poor performer in the banks, following rumours that Lloyds may be about to unload its 4.68 per cent stake, acquired during its unsuccessful take over bid for standard in the Traders adopted a mucl more bullish view of UK equities following the Hanson deal

which it was said transformed the mood of the market. "Hanson set the tone and moving into the third quarter we expect more support from the institutions," said a senior marketmaker at a leading UK Account Dealing Dates

These Steam deaths	gs mey take	piace from
Account Day:	Jul 26	Aug 9
Last Deslings: Jul 2	34 16	JU 30
Option Declaration itself 2	Jul 15	Ju 29
Jun 21	<u> 111 S</u>	14 19

### Hanson wanted on **US** deal TURNOVER in Hanson jumped

to 21m after the market was enlivened by the news that the international conglomerate is to acquire Quantum Chemical, the US Polyethylene and industrial chemicals group, in an agreed \$3.2bn deal. Excited market watchers said the move may be the first

signs of the return of big corporate deals after a four year absence. Hanson shares, which had eased to 222p just before the mid-afternoon announcement, closed 4 ahead at 227p. Hanson is paying Quantum

share holders by issuing 42m American Depositary Receipts(ADRs) and will also assume \$2.5bn of deht, to be refinanced at lower levels. It later indicated it would be making a saving of \$125m in the first year.

Analysts said the issuing of

ADR's will raise the level of US holdings in Hanson to around 27 per cent. The company has indicated it would like to see that level at around 50 per cent, as the US contributes around half of the group's Mr Zafar Khan at Strauss

Turnbull said: "This is a very good deal as Hanson has man-

#### **NEW HIGHS AND LOWS FOR 1993**

MEW HIGHS (148).

SINTISH FLRNOS (S) Tr 7'Apc 38 A, Tr 2pc
L. 194, Tr 2ypc II. 188, Tr 2'Apc 38 A, Tr 2pc
L. 194, Tr 2ypc II. 188, Tr 2'Apc II. 191, War
Loan 3'Apc, OTHER FORED INTEREST (S)
STIMOT 114pc 112, Levels 13'Apc 105, L'pool
3'Apc, LOC 3pc 100, Mev, Wester 3pc, N'wide
Aralie 3'Apc 21, Da 4'Apc 22, Luc Mex. 16'Apc
To., AMERIKGARS (S) Love's, Terrinoco, Whitipool
CANADANIS (2) Arnot. Serrico, Echo Bay,
BANKS (S) Berclays, Dal kerl, Natilies,
SHEWERS (4) Fullor 37A, Calminas, Highland,
Matthew Clark, BLDG MATLS (2) Travis Peridra,
Arigroup, Business SERVEY (2) AS.
Security Clark, C. LOG MATLS (2) Travis Peridra,
Arigroup, Business SERVEY (2) AS.
Security Clark, C. LOG MATLS (2) Travis Peridra,
Arigroup, Kowis 5'yst, Test. Vega, End Gen
(5) Hall & Smith, Famistomics Sixpe Pr., SKT
(1) PowerGen, BLECTRONNOS (9) Aba,
Sowringer, Kowis 5'yst, Test. Vega, End Gen
(5) Hall & Smith, Famistomics Sixpe Pr., SKT
(1) TowerGen, BLECTRONNOS (9) Aba,
Nowringer, Kowis 5'yst, Test. Vega, End Gen
(5) Hall & Smith, Famistomics Sixpe Pr., SKT
(1) Travis Prid. Arro 9t, Abbust (1) Carr's
Milling, FOOD PETALLING (1) Gregos, HEALTH
A HSBHOLD (1) Amerishm, HOTELS (6) End.
Hogs, JiB, Lloyd Thrompson, Lorndas Lambert,
Wills Gornon, NedGE COMPOSITE (1) Gan,
Accident, Rhy Tribust's (20) Abbust (3) Ch.
Burlans Inn., Berry Strappest, Cord Assels
Wha, Bescha, Fing, Continental, Fing, Erng,
Mats., Fing, Enterprise, Continental, Fing, Erng,
Mats., Fing, Enterprise, Continental, Fing, Erng,
Mats., Fing, Enterprise, Gentrone Euro, Wha,
Bescha, Fing, Continental, Fing, Erng,
Mats., Fing, Enterprise, Continental, Fing, Erng,
Mats., Fing, Enterprise, Continental, Fing, Erng,
Mats., Fing, Enterprise, Gentrone Euro, Wha,
Mars. B., New Frontises Buyer (1), Nh. Albanid
Smith, Co's, Oliv Ziero Pl., Overseas to, Wha,
Mars. B., New Frontises Buyer (1), Nh. Albanid
Smith, Co's, Oliv Ziero, I & G. Cartones Euro, Wha,
Mars. B., New Frontises Buyer (1), Nh. Albanid
Smith, Co's, Oliv Ziero, I & G. Cartones
Holland (6) Abbott Mead Viclara, Flectect
Templat

aged to buy Quantum at the bottom of the cycle and there should be big gains with the recovery in its markets. What is more, Hanson has the balance sheet to deal with the huge deht that comes with the acquisition." Financials firm

#### Financial stocks in both the banks and insurance sectors

underpinned the rise in the market yesterday. In banks, whose reporting season kicks off later this

month, it was a bullish joint note from Robert Fleming and Dun & Bradstreet that fuelled the rise in Barclays. Both brokers pointed out that the bank had the biggest exposure to the UK property sector and it was a likely beneficiary from its expected recovery. The shares gained 11 to 483p, in thin trade of 2.1m. Speculation that Lloyds was

about to off-load its 4.68 per cent stake in Standard Chartered helped the former harden 10 to 580p, and the latter to relinquish 5 to 778p. Renewed talk that TSB had at last found a huyer for Hill Samuel, its merchant banking arm, helped it gain 2 to 1950. In insurance stocks, most of

the day's main action centred around the composite insurers. The biggest rise was in General Accident where the shares jumped 19 to 623p, after two leading brokers visited the group's US operations, coming away with a very positive pic-The appointment of Mr John

Carter as the new chief executive of Commercial Union cheered the market and the shares sdvanced 14 to 615p. with a slight squeeze having played a part in the rise. Also firm was Royal Insurance Holdings where the shares closed 5 better at 315p, while Sun Alliance put on 6 to 357p.

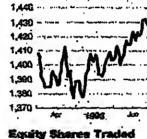
#### Devro surges

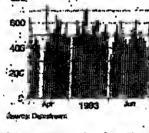
Sausage casing manufacturer Devro International came to the market at 170p and immediately went to a hefty premium on strong institutional business. One salesman said: "It's heen nothing but buyers for most of the day. There are still a lot of unsatisfied investors out there."

With the initial placing over three times oversubscribed, the pent up demand pushed the trading range to the 195-200p level, although profit-taking took the sbine off the rise towards the end of the session. The shares closed at 193p, a first-day premium of 23, with a hefty 30m traded. However, food manufactur-

ing analysts were optimistic that Devro would retain its present levels, possibly with some upside to come. Mr Tim Potter at Smith New Court said: "Most investors have bought into Devro on a iong-term basis. This is a quality stock with good prospects." While the recovery at Ratners continued, with losses dropping sharply in its results yesterday, stores specialists continued to be gloomy over

## FT-A All-Share Index





While Ratners, which also £10m deficit level.

The market was disappointed with the £86m Ailled Lyons received for the sale of its Chateau Latour wine subsidiary, a figure of £100m having long been mooted. Allied

recovery, adding 5 to 227p, amid talk of a presentation at SG Warburg, the merchant bank. Ladbroke gained 5% to

After buying a near-15 per cent stake in LWT on Tuesday. Granada opened weakly, dropping 10 at the outset. However, favourable press and broker comment helped the shares to recover during the day and the they closed a penny firmer at

day's flurry of huying. LWT convertible preference shares held on to their 466p level after the company announced that Mercury Asset Management was one of the previous day's sellers to Granada. The sector's star performer

enjoyed a rise of 21 to 545p. A solid set of results from GEC left the market largely unmoved, although prompted a to 3391/sp. Tuesday's announcement of

the discount for individual sub-

city in European steel

tric sent the shares forward, although they later faded to close unchanged at 472p. A stock overhang was said to have hindered Scottish Hydro, off 5 at 336p.

Healthcare group Amersham International climbed 10 to 798p, with Credit Lyonnais Laing issuing a strong huy although they later faded to

Laing issuing a strong huy recommendation on what it sees as improved margins. Starmin, the quarry products

executive Mr Osman Abdullah A negative stance hy SG Warburg on Coats Viyella sent the price down 4 to 243p. Ana-

lyst Mr Laurence Rubin: "We

	Apr 30	Jun 28	ADS 22	ALIE A	124 74	440	- 1000	- LOW
Ordinary shale	2270.9	2263.0	Z268.3	Z364.5	2299.3	1917.3	2299.5	2124.7
Ord, div. yield	4.09	4.10	4.09	4.00	4.08	4.79	4,52	4.07
Earthing yid % that	4.65	4.85	4.84	4.65	4,84	7.41	6.39	4.82
P/E ratio cel	28.41	25.40	26.46	25.41	26.47	17.20	26,57	18.40
P/E catio nil	24.45	24.43	24,49	24.45	24.50	16.51	24,60	75.14
Gold Micro	208.8	201,9	205.7	195.5	183.3	89,3	208.8	60.0
Hor 1993, Ordinary Gold Mines Index Si Beals Ordinary share	nde come	ARCOT INC	2 734,7 7	Nigh 2256 5/2/63- lon	45.5 DS/1	- low 49.	A 25/5/40	
Ordinary Share hot						4E M	ULA	1 84

June 24 June 25 June 30 June 29 June 28 27,196 1159.5 28,586

London report and letest Share ladex Tel. 0691 123001. Calls charged at 38phranute cheap rate, 48p at all other times.



Turnover by volume (million) Excluding: Inco-market business and overseas turnover

the prospects for investors. However, there was still plenty of small speculative investors betting on a limited recovery for the jewellery group to ensure the shares closed 31/2 up at 351/2p with a hefty 19m traded.

announced it was changing its name, was insisting privately yesterday that it would break even this year, few analysts were confident enough to change their profit forecasts and most stayed around the A Japanese press report that

Tokyo was poised to slash whisky duties sent Guinness shares sharply forward. However, although government sources were said to have partly confirmed the story, the cuts are likely to have negligible bearing on Guinness' revenues. The realisation took the wind out of the shares advance and they closed 6 ahead at 471p, after 475p.

shares slipped 8 to 537p.
Forte continued its strong

Calm returned to the televislon stocks after the previous

was Scottish Television which round of modest upgrades. The shares edged forward a penny

scribers to BT3 together with the start of the institutional round of presentations ensured British Telecom stayed in positive territory. The shares rose 5% to 428%p. British Steel continued to be

weakened by concerns ahout overcapacity in European steel. The shares gave up 3 to 95p, in trade of 6m with NatWest Securities reported to have been among the day's main seller of the stock. Further hopes of an increased offer for hid target Securiguard saw the shares harden 2 to 315p. Its predator Rentokil edged a penny forward to 204p. Rumours of a downgrade in Boots left the shares 4 adrift at 442p.

Results from Eastern Electical trade of 6m with Nat West 1996 and 1997 to 1997 to

Results from Eastern Elec-

group, fell a penny to 2%p after the company's annual report was deferred and the chief

#### FINANCIAL TIMES EQUITY INDICES

Dear 0.00 10.00 11.00 12.00 13.00 14.00 15.00 252.8 229.1 236.3 2265.6 2265.8 2267.1 2267.5 2270.2 2270.8 2271.5 2262.8

28,432 931.5 32,185 405.7 25,354 1139-2 30,357 478-5 26,967 1103.3 31,375 578.2 SEAD Sargaion Equity Turnover(Emit Equity Dergainer) Slaces traded (mil)\* 31,400 453.5

### EQUITY FUTURES AND OPTIONS TRADING

GILTS held the key to the fortunes of the stock index futures with a lacklustre start to trading ahead of the gilt auction results, Christine Buckley writes.

The announcement that the -anetion was unly 1.1 times oversubscribed against a market expectation of 1.5 times unnerved some investors and the September contract fell to ond quarter.

September followed the

cut hopes rose to the surface the government may have to stimulate interest with a rate

2,922 just after Wall Street opened with sellers pushing it to a finish of 2,917. As in the

traded options on news of its acquisition of Quantum Chemical with 6,589 lots traded well ahead of the Euro-FT-SE which saw 3,357 lots change down slightly in late trading hands. Total turnover was 32,381.

thought Coats had probably run a bit too far although there is nothing fundamentally wrong." The broker advised a switch into Courtaulds, which closed a penny lighter at 538p.

Yield considerations strengthened some property companies with a buy programme also boosting share prices. Slough Estates moved ahead 10 to 215p and Land Securities rose 7 to 597p. Ascot Holdings returned to

trading after suspension - finishing the day at 61/1p after its pre-suspension level 16¼p. MARKET REPORTERS:

Joel Kibazo, Christopher Price,

Christine Buckley. M Other statistics, Page 24

FT-SE 100			FT-SI	MID :	250		FI	A ALL	-SHAI	RE
2900.0 +14.0		<u> </u>	323	5.7 +6	5.6	] {	14	432,31	+5.5	4
	Jon 30	Day's change %	Jen 29	Jun 28	Jen 2	Kein.	Ezminge yield %	Disidend yield %	P/E Ratio	Xd a
FJ-SE 100	2900.0	+0.5	2886 0	2897.0	2887	.5 2493.5	5.83	196	21,38	
FT-SE (864 250)	3235.7	+0.2	3229.1	3223.9	3213			3.70	20 78	
FT-SE-A 350	1445.6	+0.4	1440.5	1444 3	1439			3.90 3.44	21.24 33.21	24.2 23.1
FT-SE SmellCup	1649.24 1651.88	-0.1 -0.1	1646.82 1653.43	1648,95 1652,07	1647.2 1651.9		4.34	3.63	31,11	24.3
FT-SE Screening en lev Treets FT-A ALL-SKARE	1432.31	+0 4	1426 77	1430 17	1425.6			3.88	21.72	_
1 CAPITAL COURS(213)	1011.65		1011.67	1013.55	1008.6	3 810.7	4.17	1.92	32,24	17.6
2 Building Maderials(27)	1073.81	+0.4	1069.35	1056.50	1060.6	3 887 3	3.51	4.39	42.11	19.5
3 Contracting, Construction(29)	953.06	-0.1	953.37	955.66	950.1			3.45	80.001	13.4
4 Sectricula(15)	2834.22	-0.2	2939.10	2960.04	2974.9			4.60	25.51	55 f. 22.9
5 Electronica(37)	2806.20	-0.0	2805.58	2620.68	2808.1 408.7	_		3,09 3,58	21.62	6.6
6 Engineering-Aerospace(7) 7 Engineering-General(51)	412.76 583.49	+0.4	411.23 583.44	411,57 582,59	580.6			3.62	19.94	9.2
8 Metals & Metal Formico(10)	406 17	-1.5	412.59	411.65	412.7			2.69	#	3.9
9 Money 19	409.78	+0.2	403.81	407.68	405.5	_	-	5.38	30.35	9.7
10 Other Industrials(18)	2132.22	-0.2	2136.20	2145.28	2130.3	3 1739.03	5.37	422	22,23	50.0
21 CONSUMER GROUP(238)	1644.70	+0.3	1640.03	1646.28	1643,3			3.53	17 73	25.4
22 Browers and Dicitions(30)	1902.75	+04	1896.03	1904.42	1906.0			3.85	14.62	33.2
25 Food Manufacturing(22)	1316 72	-0.1	7317.62	1317.80	1319.5			3.87	18 11	25.15 47.6
25 Food Retailing(18)	2981.62 3355.38	+0.3	2973-26	2984.27 3363.54	2993.5 3362.6		8.53 6.53	3.51 3.67	14.54 17.88	41.6
27 Hozath & Household(30) 29 Hozaks and Laksure(20)	1365.73	+0.6	3335.02 1355.76	1361.36	1348.1			4.35	30.34	25.5
30 Moda(33)	2021.15	~0.1	2022.28	2021.22	2017.9			2.56	24.10	24.9
31 Packaging and Paper(24)	6\$7.68	-	857.94	\$58.23	855.9	9 764.06	5.65	3,43	21.58	13.3
34 Stores(39)	1168.82	+0.2	1168.57	1170.47	1164.2			3,64	20.91	17 3
35 TextSes(30)	803.20	-0.6	808-03	807.27	804 9		1	3,80	20.64	14,70
40 OTHER GROUPS(141)	1533.23	40.4	1497.07	1501.51	1496.6			4.25	18.91	22.54
41 Busines Services(26) 42 Chemicals(33)	1651.19 1540.37	+03 -03	1646.88 1544.35	1645.55 1540.83	1632.9 1550.7		5.64 0.29	2.78 4.27	21.46	18.0
43 Conglomerates(11)	1408.87	+13	1390,18	1405.94	1411 8		7.45	5.33	15 12	29.65
44 Transport(15)	2906.70	+0.6	2509,95	2923.95	2906.0			3.93	24.73	53.8
45 Bectrleity(16)	1776.12	-0.1	1778,45	1754.43	1747.7			4 35	993	31,13
46 Telephone Networks(4) 47 Www.rt?3u	1607.93	+1.1	1768.35	1798.11	1788.5		6.01	3.75	20.34	3.24
47 Winter(73) 48 Miscellaneous(3);	3241.43 2273.87	+2.1 -0.6	3235,91 2286,93	3223.05 2311 02	3237.0 2303.3		13.51 7.47	5.44 4.52	8.14 16.05	87 37 43.77
49 MOUSTRIAL CROUP(590)	1452.23	+0.3	1448.41	1452.87	1448.7		6.43	3.85	19.15	22.81
5) Of & Gas(18)	2578.09	+0.4	2518.72	2519.66	2523.0		5.52	4.33	22.96	48.05
59 "SOO" SHARE MOEKGOO	1546 91	+0.3	1542.66	1546.94	1543.3			3.90	19.50	24 87
61 FINANCIAL GROUPING	1074 43	+1.1	1063.82	1053.49	1056.5		3.55	3.95	41.63	21.56
B2 Banka(9)	1477.58	+1.1	1461.92	1464.07	1453.1		4.19	3.65	32.87	28 48
65 Insurance (Litage)	2095 67	+0.9	2077.61	2081.44	2073.5			4.25	27.44	47,45
66 Insurance (Composites(7)	683.51	+21	669.40	670.95	664.5		\$	4.55	\$	15.60
\$7 Insurance Brokers(16)	923.67	+17	906.38	901.21	895.0			3.62	27.27	16.46
BB Merchant Banks(6) DB Property(29)	676.88 881.43	*08	676.96 874.51	677.53 671.95	676.9 667.4			3.32 4.56	17,26 28,59	12.3 18 4
10 Other Financial 24	387.26	+0.2	386.44	383,45	382.4			4.33	21.59	6.14
77 Investment Trusts(110)	1534.14	-0.2	1536 68	1539 35	1529.3			2.57	47.28	19.0
98 FT-A ALL-SHAME(808)	1432.31	+0.4	1425.77	1430.17	1425.6		1	3.83	21 72	23.71
iourly movements										
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oresten 1845.8 1948.6					1338.7	1835 0		1837.0	1845.7	-8.7
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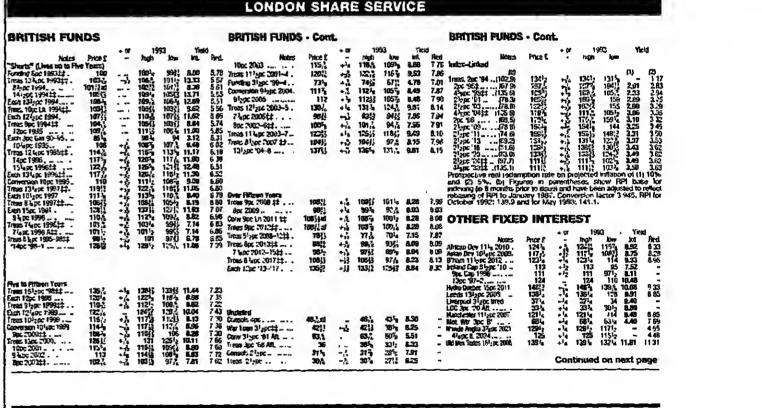
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The increase in the size of the FT-Actuaries AI-Share Index from January 4 1993 means that the FT 500 naw contains more stocks, it has been renamed the FT-SCA 100, the FT-SE indices are the Strate Indices are compiled by the London Stock Exchange and the FT-Actuaries AI-Share Indias is completed by The Physicial Times Limited Stock Actuaries which is the Indian of Actuaries and the Fronty of Actuaries under a chandred set of ground rules.

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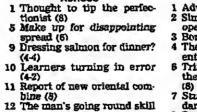
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### **CROSSWORD**

No.8,190 Set by VIXEN



ACROSS

centres (5)

14 History teacher, a person of real ability (4.6)

18 Malaise giving rise to some resentment (3-7) halt (10)
22 A log intended to entertain 15 Noted speech (8) 16 Pole in need - not fully (6) 23 Sound, like the taking indi-

vidual (8) 24 Making a note in the investigation of certain people (6)
25 Ride a bit perhaps, occasioning much criticism (8)
26 Vital parts obtainable from Glamorganshire only (6) 27 Totally in the dark? (3,5)

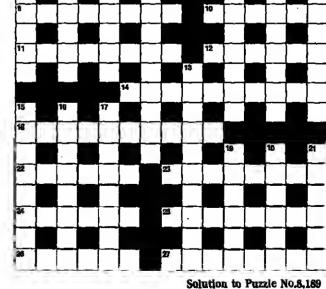
JOTTER PAD

 Advise on trendy fashion (6)
 Simply lie – say fault developed (8) Border checks (6) The main issue Well pres-ented at a suitable time (10) Trifle could become dear in the latter part of the year

7 Stuff about English standard set at intervals (8) 8 Endeavour to contain a nui-sance – that's material (8) 13 Good man left without revised list and coming to a

employed (S) 17 Fruit and vegetable might appear about right (8)
19 Silent characters maybe take notice (6) 20 A sailing man administering a sharp rebuke (6)

21 Quite new note and coin (6)





2,900 its low of the day, its recent resistance level. recovery in the gilts and was aided by technical support.

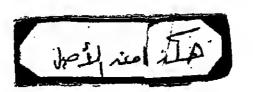
There were few other pointers for a market which managed a volume of only 6,640 contracts. Some of its bunyancy was attributed to window dressing at the end of the sec-

Faint hopes of interest rate previous day's trade it muson the thinking that if gilt of its fair value premium to auctions attract fewer buyers cash of 11 points.

The index hit its high of

tered a close of 6 points ahead Hanson performed well in

LONDON SHARE SERVICE  LONDON SHARE SERVICE  CONTRACTING & CONSTRUCTION - CORP. ENGINEERING-GENERAL - Cont. HOTELS & LEISURE - Con	t. INVESTMENT TRUSTS - Cont.
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20 mm at 20 10 20 10 20 10 20 10 20 10 10 20 10 10 10 10 10 10 10 10 10 10 10 10 10	255 700 245.1 1.0 - Patriot loc 45 55 53 46 24.1 121 121 121 121 121 121 121 121 121 1
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Vibritand	140   116   73.0   48   1   73.0   48   1   73.0
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Reyal Bit Cart   1402p   -32   1452p   1125p   4,400   41   517R (Medic As   121   41   112   1051   3,422   35   197   198   198   197   198   197   198	20 18 88.0
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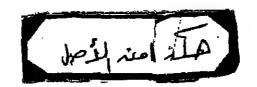
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FINANCIAL FUTURES AND OPTIONS

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### **Dollar strengthens**

MOUNTING speculation about further cuts in European interest rates strengthened the dollar yesterday, in spite of a figures showing a slight fall in US factory orders, writes Gillian

After trading around a nar-row band at the DMI.69 in tha morning, the dollar broke through the DM1.70 level in the afternoon, closing at DM1.7045, nearly a ¼ pfennig

up on the previous day's close. The dollar also gained against the French franc and sterling, closing at FFr5.7450

The dollar's rise was partly prompted by the release of data showing that unemployment in France rose by 29,000 or 0.9 per cent in May.

Coupled with a spate of gloomy economic indicators from Spain, showing a 7.6 per cent drop in industrial production in April and 1.1 per cent fall in GDP during the first quarter of the year, the figures strengthened market expectations of a new round of interest rate cuts - speculation that grew after US President Bill Clinton called on the Bundes bank to reduce its interest

June 30	Late	-					
		(MH		Previous Close			
months 2 months	month 0.37-0		1.4910-1.4920 1.5 0.37-0.38pm 1.03-1,01pm 3.13-3.05pm		1.5	5120 1.5130 0.37 0.3604 1.00 0.9604 3.10 3.0004	
STI	RLIN	AI DI		Previous			
8.30 Am 9.00 Am	===	80.4	,	80.3 80.3			
0.00 am 1.00 am Noon		80.7 80.7 80.7	3	80.3 80.3 80.2			
1.00 pm 2.00 pm 3.00 pm		80.6 80.7	,	80.3 80.3 80.5			
4.00 pm		80.1	_	80.8			
CUR	REN						
Jun 30	Back &	Special Drawin Flights	2 I	European † Correcty Unit			
erling 5 Doller sateller 5 sateller 5 sateller 5 sateller 5 sateller 5 sateller 6	100 479 6.76 6.25 8.25 7.25 8.25	0.93614 1.39513 1.7873 18.6586 48.8463 8.09200 2.3713	3	0.769571 1.16105 1.49649 13.7968 40.2885 7.53871 1.96043 2.19868			
ench Pranc len Lira penese Yen rway Krone	10 10.00 2.50	7.97803 2153.33 148.303 9.9975	2	6.61219 1781.51 122.572 8.28674			

CURRENCY		
	Sank of	Morpari **

Jun 30	Benk of England Index	Morgan ** Guerunty Changas %
Steeling U.S Dotter U.S Dotter Correction Dotter Austrian Schilling Belgian Franc Donatel Korne Dodder Swifee Franc United Guideer Franch Lirat Yen Yen Tenedit Tenedi	80.8 65.2 93.8 112.8 110.5 121.4 177.2 117.4 107.7 82.1 182.4	-28.93 -12.50 -8.02 +15.53 +10.41 +29.30 +20.40 +19.85 -7.83 -32.93 +121.71 -81.98

Average 1985-100) "Rates are for June 26

	E		\$					
Arpenting	1,5060 -	1.5095	0,9990	1,000				
Austrolia	2.7625	2.2845	1,5060	1,507				
Brazil	82020.0 -	82023.5	54336.0	- 5433				
Antand	5.5120 ·	8.5390	5.6330	- 5.653				
Greece	342,340 -	349,280	227,950	. 232				
long Kong		11.6965						
<b>a</b>	2474.00 -							
Coren(Stto	1203.90			· 606.9				
unrad	0.45420 •			- 0.301				
membaara	52.20 -			35.05				
lalayala		1.8890	2.5675	2.560				
denden		4.7050	3,1150	- 3.117				
Zootand		2.8160	1.8630	1.865				
Saudi Ar	5.6805	5.6720	1,7485	1750				
Brusson _	2.4455	2.4515	1,6205	1,021				
W IOM	5.0210	5.0320	3.3250	3,327				
Af (Feb	7.0910	7.1060	4,0975	4.707				
edman	39.85	40.00	26.40	26.50				
AE		5,5650	3.6715	2.673				

tainty about German rate cuts. sterling surged to its highest point against the D-Mark since its devaluation last autumn.

During heavy trading it peaked around DM2.555 during the afternoon, before finally falling back to close at DM2.545, unchanged on the

previous day.

Although this leaves sterling around 1½ prennigs up on the beginning of the month, the market yesterday remained dubious that sterling would be able to rise further and break though the DM2.60 barrier.

Mr Steve Hannah, chief economist at IBJ International in London believes that the bullish tone that accompanied sterling's rapid rise at the begin-ning of the week is gradually receding, as the market begins to recognise the uneven pace of the UK recovery.

"All this seems a bit prema-ture. The sentiment is right, but the market seems to be reacting too fast," said Mr Han-

2322,75 10.8200 8.9050 11,7173 161,00 17.88 2.2860

2307.00 10.7550 8.5750 11.5478 156.00 17.90 2.2500 1.2995

nah, who predicts that if st ling does rise to the DM2 level, the pressure from British exporters will be for furth UK rate cuts.

Navertheless, as Mr Br Martin, senior economist Citibank points out, sterling expected to continue to me modest gains for some time

"Over time the short te interest rate gap will move England's favour and that help underpin sterling."

Meanwhile the yen cont ued to rally against the dol in spite of rumours in Tol that the Bank of Japan v preparing for a rate cut ne week. After strengthening the European markets Y106.8 per dollar from a pro ous day's close of Y107.0 opened in New York at Y105.3 close to the post war low

Portuguese E Speniet, Peer Irlet: Punt Dutch Guilde Belgier Franc D-Mark Peesch Franc Destein Krone	62 154. 0.808 7 2.19 40.2 1.94 6.53	250 149.776 628 0.804108 672 2.1968 123 40.2886 984 1.96043 688 6.61210	-2.90 -0.55 0.09 0.19 0.95 1.12	1	4.40 51 1.94 37 1.28 9 1.18 4 0.81 -18 0.25 -48 0.00 -50							
Ecu central rates set by the European Commission. Currencies are in descending relative elevation. Percentage changes are for Ecc. a positive change denotes a vesit currency. Divergence above the ratio between two spreads the percentage difference between the actual market and Ecu central rates for a currency, and the medican correlated percentage denotes or the currency asserts are four the form control (17/2/92) Starling and Rates Lira asspected from ESA Adjustment calculated by Financial Years.  POUND SPOT - FORWARD AGAINST THE POUND												
Jun. 30	(Jay's spreed	Close	One month	1 pa	Three mantes	7						
US — Cunteta — Notheclands — Balgium — Denmark — Irasend — Germany — Portugal — Spatia — Italy — Horwey — France — Sweden — Japan — Auskia — Switzertand —	1.4910 1.5130 1.9169 1.9405 2.25507 2.2625 62.00 9.52.65 9.07850 9.8275 1.9490 1.9470 2.5425 2.5525 241.00 - 242.75 194.10 185.20 2912.50 2.522.76 10.7300 10.8200 8.5725 6.9950 11.5425 11.7173 1158.75 161.00 17.67 17.88	1.4900 - 1.4940 1.5155 - 1.9165 2.2500 - 2.5890 52.20 - 52.50 9.7875 - 9.7875 1.0446 - 1.0450 1.5425 - 2.5475 242.00 - 242.00 194.20 - 194.50 2507.00 - 2506.00 10.7560 - 10.7553 11.5767 - 11.5578 11.5767 - 11.5578 159.00 - 160.00 17.89 - 17.85	0.57-0.35cpm 0.28-0.17cpm 2-8-0.18cp 2-8-0.18cp 11-3-0.08cp 11-120cp 17-120cp 17-120cp 17-120cp 17-120cp 17-120cp 11-120cp 11-120cp 11-120cp 11-120cp 11-120cp 11-120cp 11-120cp 11-120cp 11-120cp 11-120cp 11-120cp 11-120cp	2年4年2月2日 11年2 11年2	1.02-0.980m 0.53-0.336m 7-1246 4-0.68 0.12-0.1746 1-1-66 213-28766 223-28766 2-2-346 0-1-1-60 2-2-346 0-1-1-50 2-2-346 0-1-1-50 2-2-346	2.89 0.90 -0.70 -0.73 -2.14 -0.96 -1.57 -5.48 -5.15 -4.10 -0.36 -1.14 -2.38 -2.56 -0.69						

410 4.68 -1.68 -1.69 -1.09 -1.09 -1.09

EMS EUROPEAN CURRENCY UNIT RATES

Amounts Against Eco Jus 30

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR											
Jun 30	Day's aprend	Close	Case month	P.E.	Three Ingnine	% p.e.					
ukt	1,4810 - 1.5130	1,4030 - 1,4046	0.37-0.35cpm	289	1-02-0.99pm	2.80					
referret	1.4275 - 1.4455	1.4300 - 1.4310	0.48-0.43cpm	3.73	1.17-1.12704	3.20					
Canada	1,2790 - 1,2830	1.2620 - 1.2830	Q-14-Q-16com	-1.40	0.41-0.4500	-1.34					
. Abteinetief	1,8905 - 1,9120	1.9105 - 1.9116	0.59-0.82cds	-3.80	1.02-1.6801	-3.46					
Belgium	34.66 - 35.10	34.96 - 35.06	10.00-12.00cds	-3.77	28.00-32.00db	-3.43					
Dennark	6,4650 - 6.5700	6.5550 - 6.5600	2.70-3.200 media	-5.40	7.20-6.20ds	-4,70					
Berchany	1,6845 - 1,7060	1.7040 - 1.7060	0.87-0.68phths	4.75	1.85-1.87db	-4.36					
Portugal	160.45 - 162.10	181.95 - 162.05	115-120cde	-B.70	232-847d6	-8.38					
Spain	128.85 - 130.10	129.95 - 130.05	93-97dis	-6.77	250-26006	-7.85					
	1580.50 - 1545.75		9.00-9.50freds	-7,16	25.50-26.50ds	-8.73					
Morway	7,1250 - 7,2100	7.2026 - 7.2075	1.70-2.25 oredis	-5.29	4.90-6.70ds	-29					
France	5,6850 - 5,7476	57425 - 57475	2.12-2.17cds	-4.48	6.46-5.81ds	-3.85					
Seeded	7.6450 - 7.7525	7.7325 - 7.7375	3.40-4.00cmda	-6.74	8.40-10.40dd	-6.12					
Jepas	105.25 - 108.86	108.70 - 106.80	O.Dichi-O.Diypm	1	0.02-0.01pm	0.80					
Austria	11.8725 - 11.9650	11.9550 - 11.9600	3.70-4.00gradu	-3.86	10.10-10.95de	-3.5					
Switzerland .		1.5100 - 1.5110	0.24-0.27cdls	-2.03	0.66-0.7264	-1.83					
Earl	1.1475 - 1.1605	1.1480 - 1.1490	0.45-0.44com	4.65	1.20-1,18pm	4,14					

-	URO-C	URREN	CY INTE	REST P	PATES	
Jun 30	Short	7 Days notice	Unit Mariti	Three Months	Site Monthy	One Year
Starting US Dollar US Dollar US Dollar Cone, Poller Dutch Statider Swiss Franc Dutch Statider Swiss Franc Dutch Franc Lister Lister Ven Dasbelt Krone Asten SSing Sparatin Postate Portugueses ESC	54 - 84 - 447 - 5 - 718	84 0 34 2 47 47 54 5 74 7 74 7 74 7 74 7 74 3 84 2 84 2 14 1 112 114	6 - 54 34 44 5 - 54 - 54 174 -	513.44.82 5.72.768.83 5.72.768.83 8.72.768.83 8.72.768.83 8.72.768.83 8.72.748.113	52 50 4 1 4 1 7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	58 55 44 66 66 66 66 66 66 66 66 66 66 66 66

		EX	CHA	NGE	CR	)\$S	RAT	E8					
June 30	2	\$	DML	You	F Rt.	S Fr.	H FL	Ura	CE	6 Pr.	Pts.	Ecu	
_ £	1	1.493	2.545	159.5	8.580	2.255	2.855	2307	1.918	52.26	194.3	1.90	
\$	<b>0</b> .670	1	1.705	106.8	5.747	1.510	1.912	1545	1,283	35.00	130.1	0.87	
DIM	0.393	0.587	1	62.67	3.371	0.886	1.122	906.5	0.753	20.53	7B.35	0.51	
YEN	6.270	9.361	15.98	1000.	53.79	14.14	17.00	14484	12.01	327.6	1218	0.16	
F Fr.	1.168	1.740	2.966	186.9	10.	2,628	3.326	2689	2.233	60.90	226.5	1.51	
S Fr.	0.443	0.862	1.129	70.73	3,805	1	1,266	1023	0.860	23.17	86.16	0.57	
N FL	0.360	0.523	0.891	55.87	3.005	0.790	1	808.1	0.671	18.30	68.06	0.45	
Live	0.433	0.547	1.103	99.14	3,719	0.977	1.233	1000	0.831	22.BG	84.22	0.56	
C S	0.522	0.779	1,328	83.25	4,478	1.177	1,490	1204	1	27.27	101.4	0.678	
B Fr.	1.914	2.857	4.871	305.3	16.42	4.310	5.484	4413	3.667	100.	371.9	2.48	
Pto	0.515	0.768	1.310	82.09	4416	1.161	1.469	1187	0.988	26.89	100.	0.60	
Ecu	0.760	1.148	1.958	122.7	6.600	1.735	2.196	1775	1.474	40.19	149.5	1.	

		Cult. Calle authorized Date authorized
	Strike Cells-settlements Puts-settlements Price Sup Dec Sup Dec	Strike Calls-eattlements Puts-eattlements Price Sep Dec Sep Dec 9600 0.54 0.78 0.04 0.05
	Price Sep Dec Sep Dec 105 2-50 2-58 0-25 1-18 106 2-03 2-20 0-43 1-44	9800 0.54 0.78 0.04 0.05 9825 0.33 0.57 0.08 0.09
Ster-	107 1-27 1-52 1-03 2-12	9550 0.17 0.38 0.17 0.15
2.60	108 0-60 1-25 1-35 2-48 109 0-38 1-02 2-14 3-28	9600 0.04 0.13 0.54 0.40
itish	110 0-23 0-48 2-63 4-08	9825 0.01 0.08 0.78 0.60
ther	111 0-13 0-35 3-83 4-58 112 0-07 0-25 4-47 5-49	9650 0 0.04 1.00 0.81 9675 0 0.02 1.25 1.04
	Extension volume total, Calls 7005 Puls 4925	Estimated volume total, Calls 50 Pals-0
	Previous day's opine att. Calls 46329 Page 31006	Previous day's open tot. Calle 2170 Pets 1040
rian	ļ	
t at	LIFTE EURONAUM OFFICIES Sintum points of 180%	LIFTE MALIAN SONT. BOND (ETP) PITUNES OPTIONS Lina 200m 1000m of 100%
g is		
ake	Sarties Calie-eettiements Puts-settiements Priça Sep Dec Sep Dec	Strike Calls actionments Puts-settlements Price Sep Dec Sep Dec 1020 1.75 2.21 0.68 1.48
e.	0250 0.76 1.50 0.02 0.01	Price Sep Dec Sep Dec 1020 1.75 2.21 0.66 1.48 1025 1.44 1.94 0.67 1.71
	9275 0.54 1.26 0.08 0.02 9300 0.35 1.03 0.11 0.04	1025 1,44 1,94 0,97 1,71 1030 1,16 1,70 1,09 1,97 1035 0,91 1,47 1,34 2,24
erm .	i 9325 0.21 0.81 0.22 0.07	1030 1.16 1.70 1.09 1.97 1035 0.91 1.47 1.34 2.24 1040 0.70 1.27 1.63 2.54
e in	8376 0.06 0.44 0.57 0.20	1045 0.54 1.09 1.97 2.86
will	9400 0.03 0.30 0.79 0.31	1050 0.41 0.93 2.34 3.20 1055 0.30 0.79 2.73 3.56
MΓ	9425 0.02 0.20 1.03 0.46 Estimated volume total, Calts 7579 Puts 2164	Estimated volume total, Calls 1357 Pols 1208
	Province day's open int. Calls 105457 Puts 2004	Previous day's open lat. Calle 14012 Puls 11715
	LOURSON S INTER	CHICAGO
tin-	LONDON (LIPPE)	
llar,	9% NETTICKAL BRITISH CALT " \$50,000 32Mis of 100%	U.S. TREASURY BONGS (CBT) 8%
kyo	Close High Low Prev.	\$100,000 32rde of 100%
was	Sep 107-12 107-15 106-10 106-31	Latest High Low Pres Sep 113-29 114-01 113-25 114-0
next	Dec 108-20 108-16 106-10 106-06 Estimated volume 60914 (41505)	Dec 112-24 112-26 112-21 112-2
z in	Previous day's open int. 81960 (79305)	
to	OK NOTIONAL CERMAN COVI. BOND	Jun 110-19
evi-	Datase,800 100ms of 190%	Mer 109_02 _ 5 109-0
0 it	Close High Low Prev.	Jun 107-13 107-1
5.20,	Sep 95.84 95.80 95.84 95.78 Dec 95.96 95.94 95.84 95.90	Sep 106-26 - ~ 106-2 Dec 101-16 - ~ 101-1
7 of	Estimated volume 80029 (72542) Previous day's open Int. 165475 (168831)	U.S. TREASURY BILLS (NAM)
		\$1m points of 100%
	175 MITTORIAL MEDIUM TERM GERMAN SOVT. BOND (5081) DAZSO,080 1008s of 180%	Sep 98.85 96.87 96.85 96.8
	Close High Low Prev.	Dair 96.68 96.69 96.68 96.6
	Sep 99.63 99.54 99.44 99.53 Dec 99.85 99.75	Mar 96.54 · 96.5
_	Estimated volume 2291 (4447) Previous stay's open int. 20193 (20646)	
x xs		BRITISH POUND (BAN)
	9% NOTIONAL LONG TRANS JAPANESE GOVT. NOMO Y700m 1000m of 180%	Se per 2.  Latest High Low Pre-
	Clone High Low	
	Sep 108.82 108.88 108.86 Dec 107.87	Dec 1.4940 1.4940 1.4930 1.498 Mar 1.4902 - 1.4940
	Estimated volume 3600 (1760) Traded exclusively on APT	
		SWISS FRANC (AMI)
	12% NOTICINAL TRALIUS GOVT, BOND (BTP) *	SFr 125,000 & per SFr Lebet. High Low Pres
entage	Close (Got Low Prev.	Sep 0.6654 0.6860 0.6830 0.685 Dec 0.6636 0.6840 0.6825 0.663
n two	Sep 103.07 103.50 102.50 102.50 Dec 102.73 102.76 102.38 102.35	Mar 0.5829 0.562
E UM	Estimated volume 20452 (15973)	
	Previous day's open int. 51785 (51687)	
_	10% RUTTOKAL SPAIRSH GOVT. BOND (BONDS) Pin 28th 100ths of 100%	PHILADELPHIA SE 2/S OPTIONS
	Close High Low Prev.	231,250 (cents per £1)
*	Sep 96.80 98.80	Strice Calis
2.89	Estimated volume 0 (0) Previous day's open int. 26 (26)	Price Jul Aug Sep 1.425 8.01 8.08 0.19
0.00		1.450 6.88 6.01 6.34
-0.70	THREE MONTH STEPLING " ESOB,000 public of 100%	1,475 3,58 4,21 4,89 1,500 1,00 2,79 3,31
0.73 2.14 0.56	Close High Low Prev.	1.525 0.54 1.72 2.91 1.550 0.30 1.00 1.52
1.57	Sep 94.23 94.24 94.16 94.15	1,575 0.07 0.62 0.95
5.48 5.15	Dec 94.41 94.41 94.34 94.33 Mar 94.32 94.33 94.25 94.24	Provious day's open int: Calls 805,076 Pol Provious day's volume: Calls 18,883 Puts
4.10	JUN 94.12 84.13 84.01 93.88	
-1.14	Est. Vol. (Inc. flos. not shown) 49403 (23369)	PARIS .
2.38 2.86	Previous day's open int. 301329 (302396)	7 to 10 YEAR 10% NOTIONAL PRENCH 80
0.74 0.89	THREE MONTH EMBODOLLAR .	Open Sett price Char
0.69 -1.48	Star points of 100%	September 119.78 119.82 December 119.18 119.22
Month	Sep 96.56 96.56 96.56 96.56 Dec 96.16 96.20 96.17 96.21	March 121,88 121,82 -0.
	Sep 96.56 96.56 96.56 96.58 Dec 96.16 96.20 96.17 96.21 Mar 96.10 96.10 96.09 96.11	Estimated volume 115,631 † Total Open lab
	Jun 96.80 95.83 96.81 95.81	THREE-MONTH FISOR PUTURES (MATIF) (F
R	Est. Vol. (inc. figs. net shown) 1145 (846) Previous day's open int. 12814 (13038)	September 98.57 93.71 40.
*		December 94.30 84.35 +0 March 84.70 94.75 +0
2.	THERE MONTH PURCHASER "	June 94.78 94.79 +0
2.89 3.20	Close Heats Low Phys.	Estimated volume 39,134 † Total Open Inte
-1.34	Sep 98.24 93.24 93.16 93.22 Dec 93.99 93.99 93.92 93.96	CAC-40 PUTURES (MATIF) Stock Index
245	Sep 99.24 93.24 93.16 93.22 Dec 93.98 93.98 93.92 93.98 Mar 94.47 94.47 94.41 Jun 94.85 94.68 94.60 94.64	June 1974.0 1968.1 -1
9.43 4.70 4.36	Sep 94.85 94.88 94.80 84.84 Sep 94.86 94.87 94.80 94.85	July 1973.5 1971.5 -5 August 1984.5 1981.5 -6.
1.38	Extimated volume 91865 (93332)	September 1986.0 1993.0 -4
	Des love desta secta La Sporte manage	
A.38 7.85	Previous day's open Int. 596358 (590098)	Estimated volume 34,217 † Total Open Inter
.B.73 I	Previous thy's open int. 596358 (590098) THREE MONTH ECU	Estimated volume 34,217 † Total Open later ECU BONIO (MATE)
.B.73 I	Previous day's open int. 596358 (\$60038)  THREE MONTH FOU EOU ins points at 160%	
8.73 2.94 3.85 6.12 0.85	Previous day's open int. 596358 (\$60038)  THREE MONTH FOU EOU ins points at 160%	ECU BONO (MATE)
6.73 2.94 3.85 6.12 0.86 3.52 1.83	Previous day's open int. 596358 (\$90098)  THREE MOTH PCU ECU ins peaks of 160%  Close High Low Prev. Sep 93.59 93.50 93.55 93.55 Dec 94.08 94.08 93.98 94.08 24or 94.54 94.28 94.26 94.38	Schriber (MATE) September 115.84 115.86 -0.
8.73 294 3.85 5.12	Previous day's open int. 596358 (\$90098)  THREE MONTH EOU EOU Int peaks of 180%  Close High Low Prev. Sep. 98.50 83.50 83.55	ECU BOND (MATH) September 115.84 115.85 -0. Estimated volume 2,401 † Total Open Intere

High Law 95,55 95,48 95,80 95,73 95,97 95,90

Estimated volume 5827 (9394) Previous day's open (at. 37016 (35180)

TRIBLE SOURTH EDWOLKEA DIT, HATE LERA 1,000m polets of 100% Clone High Sop 90.81 90.82 90.71 Dec 91.28 91.24 91.71 Mer 91.00 91.50 91.51 Jun 91.59 91.58 91.48

Estimated volume 6821 (4155) Previous day's open Int. 70066 (89621)

Contracts traded on APT, Closing prices shown,

bld 33g offer 312

1-mile 3-mile 6-mile 12-mile 1.4899 1.4835 1.4756 1.4631

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Prev. 95,51 95,78 95,97 96,00

Chibank NA .....

Coutto & Co ...

30th June 1993

Tel: +44 81 9488316

High - 119.84 - 119.22 0 121.86 set 195,739 Open int 175,013 11,852 8,874 E-MONTH FISOR FUTURES QUATUP (Peris Interbank offered rate ember 98.67 93.71 +0.04 93.73 ember 94.30 94.35 +0.07 94.35 ds 94.70 94.75 +0.06 94.76 9 94.76 94.79 +0.03 94.79 nested volume 39,134 † Totel Open Interest 179,101 98.67 94.30 94.70 94.76 76,043 36,560 25,503 23,307 40 FUTURES (MATIF) Stock Index 1968.1 1971.5 1981.5 mber 115.84 115.85 -0.04 11 ated volume 2,401 † Total Open Interest 12,354 12,384 ION ON LONG-TERM FRO Puts 6.11 0.21 0.44 0.69 Strice 117 116 119 120 121 2.86 2.64 0.10 0.26 11,467 173,620 26,664 BASE LENDING RATES Mount Benking Adam & Company .

Affed Trust Bank Ottomy Anebacher ...... 6 B&C Merchant Bank .. 13 Financial & Gan Bank ... 7 @Robert Flenning & Co ... 6 Bank of Barocia ...... 6 Banco Elibar Vizcava... Bank of Cyprus ...... Bank of Ireland ...... @Guinness Mahon ..... 6 Habib Bank AG Zurich \_6 Bank of India .... Chlambros Bank ...... Bank of Scotland ...... Berdays Bank ....... Brit Bk of Mid East ..... Haritable & Gen Inv Blc. 6 CL Bank Nederland .....6

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa)

Registration Number 01/00429/06

Gold mining companies' dividends

AMENDED NOTICE

With reference to the dividend notice dated 30th June 1993 the final dividend No. 43

for Western Areas Gold Mining Company Limited should be 25 cents per shere an

All other details in respect of this dividend are as previously advised. We regret any

Nykredit Mortgage Brik 6.5 Office Brothers .. Roduighe Benk Ltd ... 8 Royal Bk of Scotland ....6 OSMEN & Wilmen Secs , 6 Standard Chartered .... 6 Unibank plc.... **CUnited Sk of Kurreit .... 6** Unity Trust Bank Plc... 6 Western Trust ......... 6 Whiteway Lakillaw ...... 6 Windledon & Sh West.7

Yorkshire Bank .. Merchani Banking & Securities Houses Association

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#### **MONEY MARKETS**

### Repo rate cut

THE BUNDESBANK made a token gesture towards interest rate reductions when it shaved 0.01 per cent off its minimum security repurchase agreements, taking it down from 7.59 to 7.58 per cent, writes Gillian Tett

But the small scale of the reduction left the markets deeply uncertain about the likelihood of further interest rate cuts at today's meeting of the central bank's policy-mak-

ing council.
The deep recession in Germany, coupled with recent government spending cuts, left some traders hoping that the Bundesbank might be prodded into further action today, per-ticularly in light of President Clinton's call for a cut in German rates yesterday.

However, concern about German inflation left the majority sceptical that the Bundesbank would relax its policy.

UK clearing bank base lending rate 6 per cent

"Everybody knows that interest rates have got to come down within the next month. But we would be surprised to see any real cut in the Lombard or discount rate this

from January 26, 1993

week," commented one dealer. On the back of this speculation, the trading in this in a round of late D-Mark futures remained stuck assistance.

(11.00 a.m. June 30) 3 months US dollars bid 324 offer 324 The fixing rates are the arithmetic means rounded to the nearest one-ebdeurith, of the bid and offered rates for \$10x quoted to the market by the reference banks at 11.00 a.m. each working day. The benks are feational Westmisutor Sank, Bank of Tokyo, Deutsche Bank, Banque Hellond de Parts and Morgan Guarasty Truct. within a very narrow band. After a day of heavy dealing, the September contract closed at 93.24, up 2 basis points on the day. At this level dealers

at 6.76 per cent. Trading in sterling futures in London markets was also lively. Speculation that sterling's growing strength against the D-Mark might increase the pressure for an interest rate cut later this year helped to push sterling futures slightly higher across the

are pricing three month money

board. The September contract closed et 94.23, aight basis points up on the day. The December contract rose five basis points, closing at 94.38.

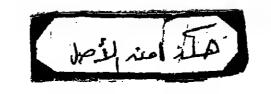
Conditions in the London money markets were "typical of the end of the month", according to one dealer, with most movements dominated by technical factors.

Temporarily tight monay conditions pushed the overnight rate towards 8 per cent during the morning. However, by the end of the day overnight rates had fallen back to 6% per cent, with little change on three month rates. After forecasting a shortage of £1.75bn, the Bank of England successfully removed most of

**MONEY RATES** NEW YORK Treasury Bills and Bonds Three year... Seven year 10-year .... 20-year .... One' Month Two Months Three Months Six 7.65-7.75 73-712 54-63 6.56-7.03 33-3-3 104-104 63-64 63-64 63-74 7.50-7.80 7.15-7.30 6(3-7 4(3-5) 6.80-6.88 -8.50 7.00 611-714 LONDON MONEY RATES Jun 30 Overnight 鹗 - ARK-\$ 5 Interbank Bild Sanfing CDS Local Authority Depo.
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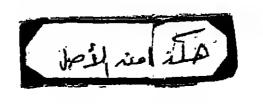
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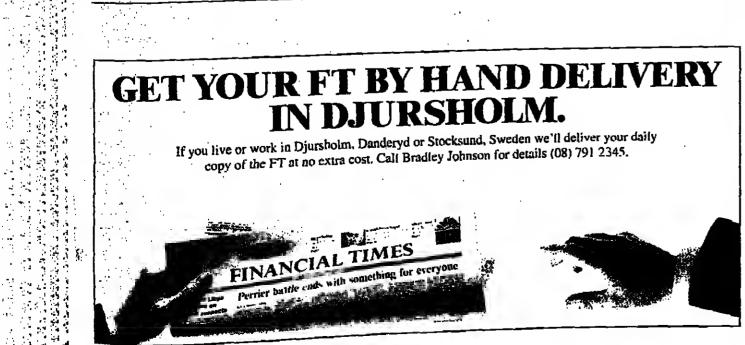
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## Dow flat as equities await **NAPM** data

the company for \$3.2bn in a

stock swap involving Hanson's

American Depositary Shares.

Hanson's ADS by \$% to \$17% in

It launched a new version of its

hugely successful "Sensor"

communications group, dropped \$% to \$47% on fears

that the North American Free

Trade Agreement between the

US, Canada and Mexico may

have been dealt a serious blow

by the ruling of a US district

judge that Nafta violates the

National Environment Policy

the company agreed to contrib-

ute \$250m over three years to a joint energy investment ven-ture with the big Californian

public pension fund, Calpers.

come in at the low end of mar-

GOLD shares made steady

gains but lacked the major

buying support seen recently

as investors waited for bullion

to break the \$380 an ounce barrier. The gold index rose 34

to 1,910, industrials 4 to 4,696

ket expectations.

Enron fell \$2% to \$66% after

Telmex, the big Mexican tele-

Gillette rose \$% to \$54% after

volume of 2m shares.

**WORLD STOCK MARKETS** 

#### **Wall Street**

US share prices were little changed yesterday as the financial markets prepared for tomorrow's ali-important employment figures, writes Patrick Horverson in New

At 1 pm, the Dow Jones Industrial Average was down 1.39 at 3,517.46. The more broadly based Stan-dard & Poor's 500 was 0.10 lower et 450.57, while the Amex composite was up 0.58 at 434.10, and the Nasdaq composite op 3.29 at 704.46. Trading shares by 1 pm.

After Tuesday's string of bad economic reports, investors and dealers were reluctant yesterday to push prices higher. The day's economic news - a slight rise in the Chicago pur-chasing managers' index of local economic activity and a 1.4 per cent decline in May factory orders - was mixed, and had little impact upon a market which remains deeply concerned about the erratic progress of the economy.

Many participants chose to stay on the sidelines, awaiting today'e National Association of Purchesing Management's index, which should give a reading of nationwide business ectivity, and, more impor-tantly, tomorrow's June employment report. Analysts are expecting the report to show a rise of between 100,000 and 150,000 in non-farm pay-rolls, which would be consistent with a below-par economic

American Express firmed \$1/4 to \$31% as investors seemed to welcome management changes instigated by the travel and financial services group's recently appointed chief executive, Mr Harvey Golub, Analysts said that the changes reinforced Mr Golub's hold on

Quantum Chemical soared

## Frankfurt gives up ground on position-squaring

THERE was much discussion, and not a little optimism about German interest rate prospects, although Frankfurt itself was not obviously builish, writes Our Markets Staff.

FRANKFURT squared its positions at the end of the second quarter and ahead of today's Bundesbank meeting. The DAX index fell 10.70 to 1,697.63, cyclicals leading ths way down, as turnovsr fell from DM7bn to DM6.6bn. The news boosted the price of

Yesterday's trend was technical, and a note from Merck Finck in Düsseldorf bore this out. The second quarter's individual leaders were all cyclicals, Volkswagen coming top again with three and six-month gains of 18.5, and 49.7 per cent respectively. The losers were all banks, Bayernverein, Bayer-nhypo and Dresdner shedding 7.8. 6.3 and 5.9 per cent.

Volkswagen managed lts gains in spite of a DM7.70 fall to DM362.50 after its Audi subsidiary announced a first-half loss and a 29 per cent decline in sales. MAN and Daimler followed suit in the automotive sector with falls of DM5 to DM281.80, and DM7.90 to

a change in the structure of domestic savings will release funds into the market". St Gobain, a cyclical used as an economic indicator, eased

was only slightly lower on the

PARIS eased slightly on the

expiry of options and futures,

the CAC-40 index losing 5.63 to

1,971.87, as turnover rose to

Kleinwort Benson, in its lat-

est monthly research paper on

France, forecast that fresh

interest rate cuts will both sus-

tain and then buoy up the

equity market. "Lower rates

might add three points to the

market's p/e ratio," it said;

company profits are more resil-

ient than they may appear, and

forecasts for 1993 and 1994. Eridania Beghin-Say, a component of the Italian debt-laded Farruzzi group, denied com-ment that it might be sold, but the shares nevertheless gained FFr60 or 8.3 per cent to FFr779. AMSTERDAM saw strength

FF15 to FF1508 as James Canel

sharply downgraded its profit

in Philips, which closed 90 cents higher at a 12-month

Actuaries Share Indices FT-SE Open 10.30 11.00 12.00 13.00 14.00 15.00 Class Heurly changes 1208.42 1207.92 1207.76 1206.59 1207.62 1206.81 1208.44 1208.59 FT-SE Eurotrack 100 7363.52 1265.06 1282.68 1263.57 1265.35 1265.42 1266.87 1266.14 Just 28 June 25 Jun 24 1189.58 1210.15 1202.12

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high of F130.10. investors were encouraged by news that the group expected a Fl1.1bn extraordinary gain from the sale of its stake in Matsushita

FT-SE Eurobrack 200

The CBS Tendency index finished 0.3 ahead at 112.5. ZURICH ended slightly firmer as dealers speculated Bundesbank meeting.

The discussion seemed to ignore a television interview by Mr Markus Lusser, president of the Swiss National Bank, which included the statement that high Swiss money supply growth limits the immediate latitude for

the banking sector, hearers in UBS, SF15 higher at an all-time high of SFr1,100, topped the active list.

1251.56

MILAN was buffetted by ome disappointing news from Flat at its annual meeting, continued nervousness over the outcome of talks on reaching a wage accord, and the possibility of delay in the passage of the crucial electoral reform bill through parliament.

The Comit index edged 0.74 higher at 536.15. Mr Michele Pacitti, an Italian analyst at NatWest Securities in London. commented that the likelihood of elections this autumn had been receding because of oppoclose of trading yesterday the hill was finally approved by the chamber of deputies.

Support for the market again came from the telecommunications sector with an indication that the government aims to accelerate its reorganisation. Stet rose L140 to L3.590 and Sip, likely to be merged with Italcable, gained L17 to L2.580.

The market had already dis-counted most of the Fiat data revealed at the annual meeting, concentrating instead on Mr Giovanni Agnelli's statement that losses would be offset by sales of "non-strategic assets". Most analysts believe this to refer to Rinascente, Toro and Cogefar. Fiat shares, which had advanced L158 to L6,490 at the fix, slipped back to L6,350 on the kerb.

the Bundesbank would cut rates said one trader, as the general index closed 1.80 higher at 259.84. Banks were the most obvious beneficiaries with Argentaria up Ptal15 to Pta4,725, and Santander Pta140

MADRID was convinced that

BRUSSELS saw the Bel-20

10.48 higher at 1,279.53, pushed up by hopes of a German rate cut and a climb in Petrofina after the oil company's shares breached resistance at

BFr9,000. Petrofina jumped by BF1340, or 3.8 per cent to BFr9,200, up by more than 8 per cent since

last Friday. One trader linked the gains to a plan for the upgrading of the Ekofisk North Sea field, due to be unveiled today. VIENNA drifted lower late in the day, the ATX index falling 6.29 to 851.7 with dips in two

recently strong stocks, OMV and Creditanstalt preferred. OMV fell Sch16 to Sch711 after the nationalised industries minister, Mr Viktor Klima, said that he would want the government to retain a veto on key decisions even after the company is fully pri-

ISTANBUL's market index fell 330.9. or 2.9 per cent to 10,778.6 on heavy selling amid reports of political rows over a confidence vote for the new

vatised. Creditanstalt preferred

lost Sch14 to Sch596.

#### CompUSA fell \$3% to \$29% following a warning from the technology retailer that fourth-

#### Australian golds ebullient as Japan remains subdued quarter net income would

#### Tokyo

TORONTO remained weak at SHARE prices moved within a narrow range on continued fears that the bribery scandal midday as investors took profits in the wake of last week's rally. The TSE-300 index was which shook the market on 12.49 lower at 3,950.74 by mid-Tuesday could spread further, writes Emiko Terazono in session in turnover of 39.8m

shares valued at C\$437.5m. The Nikkel average finally Northern Telecom remained rose marginally on investment trust support, closing 45.58 higher at 19,590.00 after a low a key feature, losing a further C\$1 to C\$34 in volume of 1.75m. shares, after announcing a number of executive changes. of 19,433.99 and e high of The stock has fallen a total of 19,616.81. Trading was domi-C\$13% in three trading days. nated by arbitrage-related selling, and buying by investment trusts and some overseas **SOUTH AFRICA** 

> Volume remained subdued at 230m shares against 229m, Losers led gainers by 594 to 395, with 166 Issues remaining

The Topix index of all first section stocks lost 1.01 to 1,580.25 and, in London, the ISE/Nikkel 50 index rose 2.31 to

Most investors remained on the sidelines after Tuesday's 1.7 per cent fall, which followed the arrests of general contractor executives and Mr Toru Ishii, mayor of Sendai in northern Japan, on allegations of bribery. Officials at Hazama, Shimizu, Nishimatsu Construction and Mitsui Construction were charged with giving a combined Y100m in bribes to

Shares of construction companies were sold heavily in the morning, but the sector ended mixed on buying by overseas investors and investment trusts. Nishimatsu fell Y20 to Y990 and Mitsui lost Y3 to Y502, but Shimizu ended up Y6 to Y826.

Rohm, a leading maker of integrated circuits, drew heavy buy orders at the start of the company had won a patent on flash memory chips, a next generation technology, in the US. The Tokyo Stock Exchange suspended trading to allow investors to confirm the news. Large capital issues were slack on arbitrage selling. Nip-

pon Steel, the most active issue of the day, fell Y3 to Y366, while Mitsubishi Heavy lost Y20 to Y710. Brokers also lost ground on fears of lower profits due to the recent fall in market turnover.

Nomura Securities fell Y20 to Y1,950 and Daiwa Securities lost Y20 to Y1,250, Game makers were in favour among traders. Sega Enter-prises gained Y240 to Y10,000,

recovering the level for the first time since April, and Nintendo advanced Y100 to Y9,600. Konami, which also supplies liquid crystal displays for pach-inko games, Japanese pinbali machines, rose Y220 to a new

year's high of Y5,320 on a rise in shipments. In Osaka, the OSE average fell 113.89 to 21,680.39 in volume of 13.1m shares.

EBULLIENCE in Australian golds conflicted with muted sentiment in Hong Kong and Singapore. Pakistan was closed at the start of a four-day holi-

AUSTRALIA closed its financial year with another lift from gold stocks. Bullion traded at around US\$380 an ounce in Sydney with brokers predicting that it would test the US\$400 level in the short term, and the gold share index rose 54.2 to

Most blue chips were also higher, led by strength in National Australia Bank as book-balancing dominated trade. The All Ordinaries index

rose 19.6 to 1,738.1, while turnover rose from A\$392m to Among gold stocks, Kidston

rose 28 cents to A\$2.40 and Placer 15 cents to A\$3.10. National Australia Bank rose 10 cents to A\$9.88 and Western Mining 16 cents to A\$5.80 NEW ZEALAND edged up to

a new 1993 high, thanks mostly to a four-cent gain in Fletcher Challenge to NZ\$2.79. The NZSE-40 index rose 1.32 to 1.680.66 in healthy turnover of NZ\$40m with Fletcher Challenge attracting some NZ\$11.15m. Brokers said that they expected little tradeable news out of the budget, due

SEOUL saw institutional intervention in financial shares as the composite index rose 3.18 to 748.87 in turnover up from Won451,3bn to Won526.9bn.

The financial sub-index

MANILA closed higher for the third straight day, fuelled by a technical rally and efforts by companies to improve their second quarter performance reports. The composite index ended another 8.63 higher at 1,577,41.

added 8.24 to 1020.95 and Kenco

JAKARTA closed firmer in active trade, the JKSE index rising L51 to 360.35. PT Pan Brothers Tex: a major textile and garment producer, recovered Rp25 to Rp1,725 after falling Rp150 on Tuesday. The company said that rumours that it had serious bad debts, and that an insurance claim had failed were untrue.

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TAIWAN dropped 1.8 per cent and breached the 4,000 support level, the weighted index closing 72.32 lower at 3.995.51. Turnover shrank from Tuesday's T\$16.7bn to T\$12.4bn ahead of today's holiday.

### Petrobras climb drives Brazilian equities

#### By John Pitt

mong the world's emerging markets last week, Brazil and Malvsia featured with a respec tive gain and loss in US dollar terms, according to data supplied by the IFC.

Brazil remains one of the year's strongest performers, a fact mirrored by the Bovespa index which has shown a yearon-year rise of some 70 per

Mr Eduardo Faria of Latin American Securities in London notes that investors have recently been taking position on possible privatication issues; while Petrobras, the oil group, has been particularly strong on rumours of price

One of the market's most heavily traded companies, Petrobras has shown a yearon-year rise of some 174 per cent to US dollar terms, with a substantial percentage of thet happening over the last

Mr Faria believes that the market is now due for a period

	EMERGING	MARKE	its: IFC V	EEKO'A IM	ESTABLE IN	<b>IDICES</b>	•						
			Dollar terms			ocal currency	terms.						
Market	No. of atocks	Jun 25 1993	% Change over week	% Change on Dec '92	Jun 25 1993	% Change over week	% Change on Dec '92						
Latin America													
Argentina	(10)	619.04	+0.2	+6.7	379,859,11	+0.2	+6.8						
Brazil	(44)	193.70	+3.7	+54.9	13,818,264.7	+10.3	+562.8						
Chile	(50)	404.15	+0.3	-3.4	656.02	+0.6	+23						
Colombia <sup>1</sup>	(8)	383.77	-1.3	-9.7	534.52	-1.3	-12.6						
Merdoo	(59)	629.51	-0.2	-6.9	844.03	-0.4	-7.0						
Venezuela <sup>a</sup>	(8)	584.96	+1.1	+12.6	1,188.75	+1.7	+27.3						
East Asia	•				•								
South Korees	(130)	103.08	-1.2	+5.0	106.74	-1.1	+6.8						
Philippines	(11)	148.08	-1.5	+10.8	191.36	-1.1	+18.4						
Talwan, China	(76)	89.05	+0.3	+20.7	87.39	+1.0	+25.3						
South Asia													
India*	(61)	73.68	-0.9	-21.4	61.87	-0.9	-14.5						
Indonesia*	(31)	80.71	+0.2	+37.5	91.46	+0.5	+39.1						
Malaysia	(61)	195.23	-4.8	+18.4	186.26	-4:4	+18.0						
Pakistan <sup>2</sup>	(8)	216.10	+3.3	+8.0	284.48	+3.4	+14.1						
Theiland	(52)	246.37	0.0	8.D+	247.60	+0.7	+6.2						
Euro/Mild East													
Greece	(17)	209.63	-0.8	+7.3	329.58	+1.0	+15.7						
Jordan	(5)	162.46	-0.1	+39.1	232.94	+1.1	+40.5						
Portugal	(16)	89.39	+0.2	+15.8	99.60	+1.7	+27.3						
Turkey*	(31)	153.27	+20	+129.2	789.88	+4.5	+187.1						

of consolidation, with a down-

side forecast of between 10-20 per cent. "It will be healthy for the

Malaysia fell back last week

on technical trading on mar-However, says Mr David Bates of Asia Equity, the underlying

blue chip market held up well. data yesterday, showing a fall in inflation, should lift sentiment in the medium term, giving the government scope to reduce interest rates, he says.

#### market to take a breather," he gin calls in second line stocks.

FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			TU	ERDAY J	UNE 29 1	993				MONDA	Y JUNE	28 1993		DO	LLAR INC	NEX :
Figures in perentheses show number of lines of stock	US Dofar Index	Day's Change %	Pound Sterling Index	You	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Currency Index	1999 14gh	1993 Low	(approx)
Australia (68)	131.36	+0.2	129,49	88.93	115.56	130.51	+0.1	3.84	131.13	130.22	87.91	115.90	130.32	144.15	117.00	146.3
Austria (18)		+0.1	148.04	100.30	130.32	130.59	-0.2	1.48	148.06	147.03	99.26	130.86	130.84	150.96	117.39	173.47
Belgium (42)	146.06	+1.0	143.98	98.87	128.48	125.35	+0.5	4.57	144.67	143.67	96.96	127.88	124.89	158.76	131.18	145.16
Canada (108)	128 91	+0.2	126.48	86.86	112.86	118.97	-0.1	2.83	128.08	127.17	85.84	113.18	119.07	130,38	111.41	126.1
Denmark (33)	218.61	+0.8	215.69	148.13	192.48	193.66	+0.6	1.17	216.91	215.39	145.41	191.71	192.57	225.64		
Finland (23)	81.15	+3.8	89.88	81.73	80.21	108.75	+3.0	1.12	87.81	87.20	58.87	77.61	105.61		185.11	243.8
France (97)	154.41	-02	152.21	104.53	135.82	138.12	-0.6	3.27	154.75	153.67	103.73			100.92	65.50	78.40
Germany (62)	110.09	+0.7	108.52	74.54	96.84							138.76	138.91	157,36	142.72	164.3
Hong Kong (55)	287.08	-0.8	282.97	194.33		96.84	+0.2	2.18	109.37	108,60	73.32	96.66	96.66	117.10	101.59	126.47
Ireland (15)	162.75	+2.0	160.43	110.18	252.53	285.40	-0.8	3.30	289.48	287,44	194,04	255.85	287.88	301.61	216.82	258.36
	67.80	+0.1	88.83		143.16	159.03	+1.5	5,39	159.54	158,42	108.95	141.00	156.95	170,40	129.28	159.3
Japan (470)	140.00			45.90	59.64	77.82	-0.7	2.01	87.75	67.28	45,41	59.88	78.35	72.82	53.78	69.25
Malaunia (200	148.30	-2.2	144.21	99.04	128.71	89.04	-1.3	0.84	149.66	148,61	100.32	132.29	100.32	155,98	100.75	96.23
Malaysia (69)	326.02	+0.0	321,38	220.70	286.78	323.78	-0.2	2.08	326.00	323,73	218.53	288.12	324.49	349.34	251.66	239.36
Mexico (18)	1514.08	+1.3	1492.53	1025.03	1331.89	5164,06	+1.4	1.31	1494.03	1483,61	1001.54	1320.48	5093.23	1725.81	1410.30	1387.45
Netherland (24)	166,92	+0.0	184.54	113.00	146.83	144.63	-0.3	3.80	166.83	185,67	111.84	147.46	145.09	172.75	150.39	162.84
New Zealand (13)	50,10	+0.9	48,39	33.92	44.07	49,49	+0.7	4.51	49.64	49.29	33.28	43.88	49.13	50.10	40.56	46.0
Norway (22)		+0.2	150.56	103,40	134.36	148.27	-0.2	1.78	152.42	151.36	102.18	134.71	148.64	168.21	137.71	173.50
Singapore (38)	250,30	+1.2	246.74	169,46	220.18	187.18	+1.2	1.84	247.29	245.58	165.77	218.55	184.95	262.72	207.04	222.57
South Africa (60)	196,88	-0.6	194.08	133.28	173.18	203.11	-0.5	2.48	198.09	198.71	132.79	175.07	204.14	201.01	144.72	221.27
Spain (46)		+0.5	123.63	84.91	110.33	122.71				123.89						
Sweden (38)	400 00	+0.9	164.52	112.99	146.82		-0.4	4.80	124.78		83.64	110.26	123.20	132.82	115.23	151.85
Switzerland (51)	128.00	+0.4				191.73	-0.4	1.76	165.41	184.26	110.89	146.20	192.41	184.06	149.70	193.78
United Kingdom (219)			126.18	86.66	112.51	119,11	+0.1	1.83	127.52	126,63	85.49	112.72	119.02	129,36	108.91	111.23
IRA E10	178.40	+0.4	173.89	118.41	155.18	173.89	-0.3	4,00	175.69	174,47	117.76	155.27	174.47	161,99	162.00	192.20
USA (519)	184.38	-0.2	181.76	124.83	162.20	184.38	-0.2	2.78	184.81	183,52	123.89	153.34	184.81	185.27	175.38	166.39
Europe (760)	144,43	+0.4	142.38	97.78	127.08	138,80	-0.2	3.28	143.88	142.88	96.48	127.17	138.89	149.02	133,92	154.12
Nordic (114)	159,97	+1.2	157.69	108.30	140.72	161.12	+0.2	1.54	158.14	157.03	106.01	139,77	160.74	171.77	142.13	180.08
Pacific Besin (713)		-2.0	147.69	101.43	131,80	105.56	-12	1.11	152.89	151.83	102.50	135.13	108.79	159.07	105.89	103.40
Euro-Pacific (1473)	147.50	-1.1	145.40	99.85	129.75	118.41		1.97	149.08	148.04	99.93		119.34		117.26	123.89
North America (627)	180.89	-0.2	178.32	122.48	159.15		-0.8					131.78		154.05		
Europe Ex. UK (541)	124.68	+0.4	122.91			179.93	-0.2	2.78	181.27	180.01	121.53	160.24	180.33	182.38	171.51	183.80
Pacific Ex. Japan (243)	19/ 00			84.43	109.70	115.33	-0.1	2.75	124.23	123.36	83.29	109.82	115.48	128,65	112,51	131.18
Model Course were	184.98	-0.2	182.32	125.23	162,72	171.85	-0.2	3.20	185,25	183,96	124.20	180.75	172.19	194,08	15270	173,74
World Ex. US (1859)		-1.0	146,08	100.33	130.36	120,60	-0.7	2.00	149.68	148,64	100.35	132,30	121.49	154.27	118.51	125.81
World Ex. UK (1959)	157.86	-0,8	155.42	108.74	138.71	138.89	-0.6	2.12	158.96	157.85	106.57	140.51	137.57	181.34	134.22	133,47
World Ex So. Af (2118)	159,17	-0.7	156,91	107.77	140.03	139.74	-0.5	2.30	160.30	159.18	107.47	141.63	140.50	182.74	137.29	138.00
World Ex. Japan (1708)	166.09	+0.0	105.70	113.81	147.89	163.59	-0.2	2.95	168.10	168.93	112.70	148.59	183.93	170.05	157.A7	152.07
The World Index (2178)	159,32	-0.7	157.06	107.87	140.18	140,27	-0.5	2,30	180,45	159,33	107.58	141.82	141.04	162.86	137.32	138.52

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Constituent changes with effect from 1/7/93: Deletion: Zurich insurance (P.C.) (Switzerland). Latest prices were unavailable for this edition.

"We've listened to the tape you sent us, Mr Epstein, and in our considered opinion they'll never make the Big Time. So the answer is no, no, no."

Having the capital to back a big idea is only half the secret. Having the vision to spot one is the other half.



Yeah, yeah, yeah.

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